Austria	Sch22	Iran	Rls[illegible]	Philippines	Peso40
Bahrain	Din0.650	Israel	IS3.50	Portugal	Esc120
Belgium	BFr45	Italy	L1700	Qatar	Qr4.50
Canada	C$1.00	Japan	Y600	S.Arabia	SR7.00
Cyprus	C£0.90	Jordan	Fils.[illegible]	Singapore	S$4.10
Denmark	DKr[illegible]	Kuwait	Fils.[illegible]	Spain	Pta145
Egypt	E£2.25	Lebanon	L£[illegible]	Sri Lanka	Rup30
Finland	Fmk7.00	Lux	LFr45	Sweden	SKr[illegible]
France	FFr7.00	Malaysia	Rm4.25	Switz	SFr2.30
Germany	DM2.20	Mexico	Pes[illegible]	Taiwan	NT$65
Greece	Dr120	Morocco	Dh[illegible]	Thailand	[illegible]
Hong Kong	HK$12	Neth	Fl3.00	Tunisia	Din[illegible]
Iceland	Kr125	Nigeria	Naira[illegible]	Turkey	L[illegible]
India	Rup15	Norway	NKr[illegible]	UAE	Dh[illegible]
Indonesia	Rp3100	Oman	Or1	USA	$1.00

EUROPE'S BUSINESS NEWSPAPER

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Thursday March 9 1989

D 8523A

US BUDGET
No news is bad news
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World News

Soviet N-ship stranded by protests at home ports

A nuclear-powered Soviet merchant ship was stranded at anchor outside Vladivostok in the Soviet Far East after protests prevented it from docking at any of the major ports on the country's Pacific coast. Page 16

UK expulsions

Britain responded to Iran's break in diplomatic relations with an announcement of plans to expel several Iranian citizens from both Britain and Hong Kong. Page 9

Lhasa patrols

Soldiers and armed police patrolled Lhasa streets as martial law was imposed in Tibet to end three days of pro-independence rioting. Page 7

Afghan siege

The east Afghanistan city of Jalalabad was under heavy attack from Mujahideen guerrillas who hoped to make it their capital. Page 7

Tower support

Second Democrat said he would vote to confirm John Tower as Defence Secretary. But Senate Armed Services Committee chairman Sam Nunn disclosed that Senate investigators were looking into new evidence against Tower. Page 4

Recruit arrests

Tokyo prosecutors arrested two more people, including a former vice minister of labour, in connection with the Recruit scandal. Page 7

Solidarity accord

Intensive negotiations in Poland between Solidarity and the Warsaw Government produced an understanding that a public accord would be patched together by April 3. Page 2

Australian economy

The Australian Government yesterday kept up its campaign to talk confidence into the embattled economy. Page 7

Amazon pressure

Amazon countries united behind Brazil to denounce foreign pressure to save rain forests. Page 4

Action for cities

The UK Government is launching a ministerial roadshow to promote inner city policies as a great success. Page 10

Marseilles challenge

Jean Marie Le Pen faced an unprecedented challenge for control of Marseilles from a new left-wing hero. Page 2

SA negotiations

MR F.W. de Klerk, recently-appointed leader of South Africa's ruling National Party, was involved in negotiations on a compromise giving him sufficient powers to run the country. Page 6

Bhopal storming

One hundred victims of the Bhopal gas disaster stormed Union Carbide offices in the Indian capital, destroying the reception area and painting slogans on the walls, witnesses said.

Women's Day

In a message marking International Women's Day, UN Secretary-General Javier Perez de Cuellar called for redoubled efforts for women's rights.

Business Summary

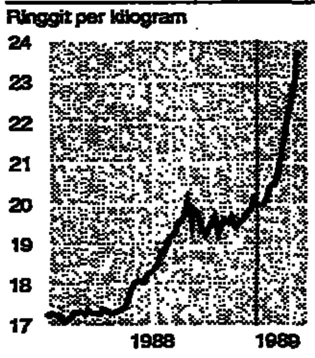
BR may need subsidies to build £1.7bn tunnel link

British Rail has admitted it may need UK Government subsidies for its high-speed rail link to the Channel Tunnel, and route changes could delay completion by four years to the year 2,000. Page 9

THE KUALA LUMPUR tin price yesterday staged the biggest rise in five years to reach the highest level since the October 1985 market collapse.

Malaysian tin price

Ringgit per kilogram



At 23.71 ringgits a kilogram ($8,565 a tonne) the price was 72 Malaysian cents up on the day.

GRAND METROPOLITAN, the UK-based drinks and food multinational, is to take over the Greek Metaxa brandy business for an undisclosed sum. Page 17

EASTERN Airlines, the US carrier, may file for bankruptcy as protection against creditors after a judge said he could not order pilots to cross picket lines. Page 4

BRITISH COAL Pension Funds are preparing to sell all their US property interests. They are worth around $1bn. Page 16

RHONE-POULENC, the French state-controlled chemicals and drugs group, yesterday announced a 46 per cent rise in 1988 net profits to $570m, spurred by favourable economic conditions. Page 17

US BUDGET discussions are heading for stalemate following weeks in which events have overshadowed the debate on how to reduce the Federal deficit. Page 16

HONDA, the Japanese car manufacturer is planning to begin exporting cars from the US to West Europe in 1990.

BRIDON, the wire rope manufacturer, has dropped its effort to buy the wire rope division of Bethlehem Steel after objections by the US Federal Trade Commission. Page 20

DAIMLER-BENZ, West Germany's main car producer, is likely to get $2.1bn in Government subsidies for the acquisition of a stake in the Messerschmitt-Bölkow-Blohm (MBB) aerospace group, Page 16

INDIA has decided to go ahead with its plans to develop and manufacture its own light combat aircraft (LCA) to be in service from 1995. Page 7

PEUGEOT Talbot manual car workers in Coventry, England, have voted to take industrial action over a two-year pay deal. Page 9

PLESSEY, the UK electronics group, said it was "encouraged" by the progress of the EC inquiry into the hostile $2.9bn consortium bid from GEC of the UK and Siemens of West Germany. Page 24

ELDERS IXL, the Australian brewing and investment group, has gained a banking licence in New Zealand, achieving an ambition there which it has been denied in its home market. Page 22

CHRYSLER, the US automotive group, and Renault of France are to invest around $600m in their 50/50 joint venture to produce a small four wheel drive sports/utility vehicle. Page 20

Brussels shifts ground for Netherlands' cleaner car

By Tim Dickson in Brussels

A DRAMATIC shift in the European Community's policy on car pollution was proposed last night when Mr Carlo Ripa di Meana, the Commissioner in Brussels responsible for the environment, declared his apparently sudden conversion to stricter and more expensive US-style standards.

His plea for adoption of US norms came during a full meeting of the 17 commissioners. They decided to soften Brussels' controversial legal attack on the Netherlands for introducing tax incentives to encourage the buying of cars which meet precisely those standards.

The latest developments, which have potentially major implications for the European motor industry, are a further example of the way in which environmental issues and concerns have shot to the top of the political agenda.

Officials in Brussels last night conceded that the change in public opinion in member states has played an important part in recent deliberations at the Commission – but few deny that the issue of clean cars had already placed the EC in a complex legal and political jam.

The Dutch dispute arose after the Government in the Hague insisted last month on introducing tax incentives for consumers who purchase cars with so-called three-way catalytic converters.

Several member states – notably France – complained that this breached the principle of the single European market because the Dutch standards are higher than the common EC-wide car pollution levels provisionally agreed by member states last November.

Somewhat reluctantly the Commission agreed to attack the Dutch measures with all the legal means at its disposal, setting in train a two-pronged approach by launching a preliminary investigation under EC state aid rules and separately informing the Netherlands that its national legislation was a distortion of free trade (under Article 30 of the Rome Treaty).

Yesterday's Commission meeting took the important step of dropping the state aids case – with the significant consequence that a Brussels "injunction" to the Hague not to implement its incentives is automatically lifted – while continuing to pursue the more leisurely legal route under Article 30.

Mr Martin Bangemann, the Internal Market Commissioner, told his colleagues that a "reasoned opinion" would be sent, pointing out why the Dutch were at fault, but it could be 12 to 18 months before the process was concluded in the European Court.

In the meantime, as Mr Ripa Di Meana's new policy committement made clear, a lot is Continued on Page 16

Bond seeks to sell 19.8% hostile stake in Lonrho for £366m

By Ray Bashford in London

MR ALAN BOND, the Australian businessman, plans to withdraw as a hostile shareholder in Lonrho and sell his 19.8 per cent stake in UK-based international conglomerate.

Bell Resources and Bond Corporation, companies under Mr Bond's control, said yesterday that they wished to dispose of the holding of Lonrho shares at a minimum of 385p each, valuing the stake at £365.7m ($628m).

Samuel Montagu, Mr Bond's financial adviser, said it wished to dispose of the holding at "the earliest opportunity subject to satisfactory terms."

Mr Bond is attempting to sell the stake in one tranche. However, it is understood that he may consider a swap of assets in return for shares or other alternatives based on a minimum price equivalent to 385p a share.

The decision to sell follows months of speculation that Mr Bond was preparing to make a full bid for the company. Mr Tiny Rowland, the Lonrho chief executive, countered by launching a series of strong attacks on the Bond group of companies.

The assault began shortly after Mr Bond started to amass his stake last September and included the allegation that the Bond group of companies were "technically insolvent." Mr Bond has consistently denied this.

Following the announcement Mr Paul Spicer, a director of Lonrho, said: "All is fair in love and war and we do not hold anything personal against him (Mr Bond)."

The share buying began after a series of meetings

Alan Bond: selling

between Mr Bond and Mr Rowland last summer. The present stake was purchased between September and November as the share price rushed forward amid the bid speculation.

Mr Bond paid an average of 360p a share, buying some for as much as 425p. Interest changes on the borrowings made to cover the purchase, together with associated costs, would lift the price per share to about 377p.

The company expects to incur additional charges associated with the disposal and these would lift the cost of the shares at the time of the exit to about the 385p asking price.

Lonrho was informed of the decision to sell the holding shortly before yesterday's statement was made but it expressed no immediate interest in buying the shares. Mr Spicer said he was "considering the situation."

The Bond statement said that the shares were acquired "with a view to exploring with the board of Lonrho areas which might be mutually beneficial to Lonrho, its shareholders, Bond Corporation, Bell Resources and their subsidiaries."

However, it added that "in view of the response of the Lonrho board, Bond Corporation, Bell Resources and their subsidiaries no longer consider it likely that any meaningful dialogue is possible."

Mr John Richardson, the head of Bond's European operations, said the sale was not a forerunner to the disposal of other Bond interests in Britain. He denied that the Bond group was a forced seller. "It should in no way be seen as if we are strapped for cash," he said.

The group's other principal investment in Britain is an 11 per cent holding in Allied Lyons. This is worth £400m, based on yesterday's market price.

The Bond companies have sold large holdings in Britain during the past six months, including stakes in Standard & Chartered, the bank; M&G, the fund management group; Morgan Grenfell, the merchant bank; and TV-am, the breakfast television company.

These holdings were acquired through the $A850m ($708m) takeover of a group of companies controlled by Mr Robert Holmes à Court last year in the wake of the October 1987 stock markets crash.

However, during the same period he has made sizeable investments in the US and Hong Kong and Bond Corporation was left with borrowings of about A$5bn at the end of December.

Background, Page 17

UK appeals for resolution of Nissan deadlock

By William Dawkins in Brussels

THE BRITISH Government has made a final appeal to the European Commission to resolve the deepening deadlock with France over restrictions on sales of UK-built Nissan cars.

Lord Young, the UK Trade and Industry Secretary, has written to the Brussels executive presenting fresh evidence that the French authorities are impeding the free sale of Bluebird cars exported from the Nissan's new Sunderland plant in the north-east of England. The move marks the collapse of British attempts to resolve the dispute with Paris bilaterally.

Nissan's French distributor has been told that its imports of British-made Bluebirds are being counted against its quota for direct imports from Japan, rather than being admitted freely as European cars, says the letter to Mr Martin Bangemann, the internal market and industry Commissioner.

This puts pressure on the distributor, Richard of Paris, to cut its imports from the UK, which amounted to forced discrimination against an EC product, a practice outlawed by Community free circulation rules, says the letter.

It asks Brussels to "take this issue up with the French authorities as a matter of urgency, with the aim of getting a categorical assertion from them that UK built Nissans would be able to be delivered to the French market without restriction and independent of the level of imports from Japan."

The French Government threatened last year to count sales of UK Nissans as part of its unilateral ceiling of 3 per cent of market share for Japanese cars, on the grounds that they contain well below the 80 per cent of EC-made components which Paris considers the minimum for a European car.

There are no specific EC rules on local content for cars, though the Commission has applied a 60 per cent limit in an earlier dispute between the UK and Italy.

British officials repeated yesterday that local content was not the central issue and that UK Nissans in any case included more than 70 per cent Community made parts, due to rise to 80 per cent next year.

Commission officials had no comment on their likely next move, though Mr Bangemann has only recently warned that he opposes specific local content rules. The UK is clearly hoping for a stern warning to France, backed by the threat of legal action.

Lord Cockfield, the former internal market Commissioner, confirmed to the UK at the end of last year that sales of Bluebirds in France should be allowed to go ahead normally under EC law and that Britain should call on the Commission's help as soon as there was clear evidence that sales were being impeded.

Since then, a number of contacts between Paris and London have failed to bring progress.

The European Commission has cleared the way for the West German Government to provide up to DM3.9bn ($2.1bn) for the proposed acquisition of a stake in Messerschmitt-Bölkow-Blohm (MBB) by Daimler-Benz. Page 16

World Bank offers some optimism for African economies

By Michael Holman, Africa Editor, in London

SUB-SAHARAN Africa's economic recovery has begun, helped by reforms, international donor support and measures to ease the region's external debt burden, according to a joint World Bank-United Nations Development Programme report published today.

Although constraints on development remain severe, the report says, the evidence suggests that Africa "can have adjustment with growth" providing that its governments implement reforms and that donors provide additional resources.

If the optimistic picture it paints is borne out, the report vindicates policies drawn up by the Bank itself and the International Monetary Fund, and adopted with varying degrees of enthusiasm by more than half the 45 sub-Saharan African governments. But the study's generally hopeful tone, as well as some of its specific observations, are at odds with a recent assessment of the region released by the United Nations Economic Commission for Africa.

This report, released in January, concluded: "The deterioration in the overall economic situation in Africa has continued unabated in spite of impressive efforts at structural adjustment."

In contrast to the World Bank-UNDP report, it was critical of what it saw as the failure of donors and lending institutions adequately to support those African governments which are implementing reforms. The Commission's assessment also argued that measures to ease Africa's debt burden had been inadequate.

The World Bank analysis, which focuses on the period 1985-1987, but makes tentative observations about developments last year, develops two themes. The first argues that the African condition is "less dismal" than often portrayed. The second compares the record of the countries which have adopted economic adjustment programmes endorsed by the World Bank with those that have not.

The report calculates that: "Excluding countries recently affected by strong external shocks (both positive and negative), annual GDP growth rates in reforming countries accelerated from just over 1

Continued on Page 16

Bankers take heart, Page 6

European media owners plan $1bn entertainment venture

By Alan Friedman in Milan and Raymond Snoddy in London

FOUR of Europe's most flamboyant media owners are holding talks aimed at joining forces to create an integrated entertainment group with activities ranging from making films and television programmes, to the ownership of nearly 2,000 European cinema screens.

The four are Mr Silvio Berlusconi, the Italian commercial television owner, Mr Robert Maxwell, the British publishing and media proprietor, and Mr Giancarlo Parretti and Mr Florio Fiorini, two Italian financiers who together control Cannon, the Hollywood film studio and cinema group and Pathé Cinema of France.

Mr Fiorini said yesterday that a letter of intent could be signed by the end of this month. Mr Fiorini, a Geneva-based financier, said the venture would pool assets worth more than $1bn, including Cannon, Pathé and New World Entertainment, a US production company being bought by

Murdoch: $5bn acquisition

Cannon.

The talks, which could lead to a significant restructuring of the European cinema and television programme industry, come amid signs of concentration of power in the media – the Time/Warner merger in the US and the plans of Mr Rupert Murdoch, chief executive of News Corporation, the Australian-based international media group, to raise a $5bn acquisition fund partly aimed at Europe.

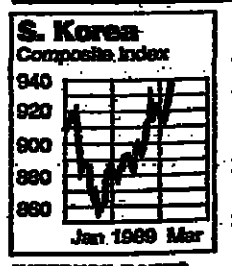
The Paretti-Fiorini proposal envisages taking, with Mr Berlusconi and Mr Maxwell, a series of 20 per cent equity stakes in a holding vehicle, which would be valued at $750m and would eventually also include US and French entrepreneurs.

Mr Berlusconi yesterday said he had held exploratory talks with Mr Fiorini about the venture, which could see him contributing his own chain of 300 cinemas in Italy.

Mr Maxwell, who has a stake in TF-1, the privatised first French television channel, has been looking for some time for ways of expanding his European media operations and is particularly keen to strengthen European production as an alternative to quotas on US programmes.

MARKETS

S. Korea
Composite Index



INTEREST RATES
US lunchtime
Federal Funds 9⅞% (8¾)
3-mth Treasury Bills: yield: 8.9% (8.92)
Long Bond: 98 3/32 (97 25/32)
yield: 9.05% (9.04)
London
3-month interbank: close 13% (13)

STERLING
New York lunchtime
$1.71425 (1.7215)
London:
$1.7200 (1.7225)
DM3.1950 (3.19)
FFr10.8500 (10.8425)
SFr2.7300 (2.725)
Y221.25 (221.75)
DOLLAR
New York lunchtime
DM1.8650 (1.85375)
FFr6.3260 (6.298)
SFr1.5930 (1.58425)
Y129.20 (128.775)
London:
DM1.8575 (1.8525)
FFr6.3075 (6.295)
SFr1.5865 (1.852)
Y128.70 (unchanged)
GOLD
New York latest
Comex Apr
$395.4 (395.7)

STOCK INDICES
New York lunchtime
Dow Jones Ind. Av.
2,309.29 (+18.58)
S&P Comp
295.56 (+1.69)
London:
FT-SE 100
2083.3 (-0.2)
World:
143.36 (Tues)
Tokyo
Nikkei Ave
31,837.66 (-100.29)
Frankfurt
Commerzbank
1647.2 (-19.3)
OIL
Brent 15-day (Argus)
$18.000 (-0.075) (Mar)
West Tex Crude
$18.495 (-0.13) (Apr)

CONTENTS

China determined to keep iron grip on Tibet

Thirty years ago tomorrow the Dalai Lama (left) was forced to flee his homeland. But the anniversary is unlikely to be marked by demonstrations since China has imposed martial law. **Page 7**

EC clears state aid for Daimler takeover of MBB

By William Dawkins in Brussels

THE WEST GERMAN Government yesterday won clearance from the European *Commission to provide up to* DM3.9bn (£1.2bn) for the proposed acquisition of a stake in the Messerschmitt-Boelkow-Blohm (MBB) aerospace group by Daimler-Benz, the country's main car producer.

This is one of the biggest state subsidies ever to receive the go-ahead from the Brussels authorities and represents the removal of an important potential barrier to what the Commission considers a strategically important takeover for *the European aircraft industry.*

The plan is also awaiting clearance from West Germany's national cartel office. Brussels has no objection to the bid on cartel grounds, said an official.

Around a third of the total is an exchange risk guarantee, to protect the group against falls in the value of the dollar, the currency in which aircraft are usually priced. The rest is a debt write-off, designed to phase out state subsidies for MBB, the West German partner in the Airbus consortium.

The aid package was demanded by Daimler-Benz as a condition for agreeing to take over MBB, 51 per cent of whose capital is currently in public hands. Daimler will initially buy 30 per cent of MBB and later increase that stake to more than 50 per cent.

EC competition rules tightly restrict member governments' freedom to subsidise industry, but there are exceptions for assistance to important projects of common European interest, of which Airbus is a prime example.

Brussels was also encouraged by the fact that the takeover would bring private capital – DM1bn – into Deutsche Airbus for the first time.

The aids were to help "the restructuring of the West German civil aircraft industry with the aim of increasing its efficiency and international competitiveness," said a Commission statement.

Competition would not be distorted because aircraft sales between member states were limited and did not in case take place in the same market as Airbus.

● The Commission yesterday challenged West German proposals to provide low interest credit to help the shipbuilding group, Howaldswerke Deutsche-Werft, provide three container ships to an Israeli company.

The proposed assistance is worth 30 per cent of the contract price of DM105m per ship, representing a total grant of DM94.5m. West German authorities believe this should qualify as aid for a development project, but the Commission was warned them that Israel is not a developing country and that the subsidies should therefore be blocked.

West aims to boost military security and confidence measures

By Robert Mauthner in Vienna

THE MAJOR Western countries will today propose wide-ranging measures aimed at dispelling suspicion and mistrust of military capabilities and intentions in Western and Eastern Europe.

The proposals are to be made at a 35-nation conference on Confidence and Security Building Measures (CSBMs) being held here at the same time as the Conventional Armed Forces in Europe talks, which opened formally last Monday.

The measures to be discussed are intended to achieve greater openness and predictability about military matters so that it will become increasingly difficult to launch large offensive operations and surprise attacks. They will thus complement the force and military equipment reductions to be negotiated in the CFE forum by the Nato and Warsaw Pact countries only.

The process of establishing Confidence and Security Building Measures among the 35 participating states began with the signature of the Helsinki Final Act in 1975, which encouraged states to notify each other of, and invite observers to, certain large-scale military activities taking place on land in Europe.

Under the Stockholm Agreement of 1986, commitments were assumed by the participating states, which went well beyond the measures in the Helsinki Final Act.

The agreement provided for 42 days' notice of military exercises and movements involving more than 13,000 troops or 300 tanks; the invitation of observers to all such activities involving more than 17,000 troops in land exercises, or 5,000 troops in amphibious exercises; an exchange by a certain date every year of annual forecasts of notifiable activities; and the banning of all military activities involving more than 75,000 troops, unless they had been included in the annual forecasts.

The implementation of the Stockholm measures has been considered as generally encouraging in the West. The Warsaw Pact has reported between 21 and 25 notifiable activities per year, while Nato has reported 14 to 20 such activities annually. A total of 18 inspections have been conducted.

Today, the Nato countries will be putting forward a programme which builds on the Stockholm foundations, providing for an even more detailed exchange of information and more intrusiveness into other states' military activities.

The proposals include a more detailed and comprehensive annual exchange of information

Poles agree to agree by next month

By Christopher Bobinski recently in Lodz

INTENSIVE horse trading in Poland between the Solidarity movement and the Government has produced an understanding that a public agreement will be patched together by April 3. This is when both sides want to bring down the curtain on their flagging *round-table talks which started* on February 6.

More than anything else so far, the talks have served to remind Solidarity how determined the authorities still are to preserve the essential outlines of the traditional system of party and police control over the country.

Details of the understanding have yet to emerge. But, in addition to grudging official assent to the legalisation of the *NZS independent students'* union, it seems to include the basic trade-off which enabled the talks to get going in the first place. This comes down to the legalisation of Solidarity in return for the latter agreeing not to oppose party candidates in forthcoming elections and to take the 35 per cent of the seats in Parliament offered by the authorities.

Solidarity, however, is appalled at the prospect of mounting inflation which threatens to run into treble figures this year, accompanied by continuing pay protests and work stoppages. As a result, it is insisting that a government commitment to wage indexation be included in any deal.

Women at one of Poland's oldest and largest textile plants, the Marchlewski works in Lodz, have been on strike for several days in support of higher pay to compensate for rising prices. The stoppage has embarrassed Solidarity

The strike has served to demonstrate that maintaining wage levels is the most potent issue in Poland today. For the women inside the Marchlewski works, which look much as they did when Lodz was a booming textile town in the 1880s selling to the Russian market, the round-table is an abstraction.

The prospect of becoming embroiled in myriad similar conflicts in the coming months when it wants to concentrate on pushing reforms of the system is adding urgency to Solidarity's demand for an automatic system which will link wage rises to inflation.

The idea, though, has dismayed some economists who point out that it will fuel inflation; the Government is only willing to consider indexation for minimum incomes, if at all.

Mr Wladyslaw Baka, the Communist party secretary responsible for the economy who is also chairing the economic talks *with Solidarity*, has been more conducive to the idea, suggesting at one point that two-thirds of individual incomes might be increased in line with price rises, while the rest would be up for negotiation between management and unions.

Municipal elections put old political loyalties to the test in Marseilles

By Paul Betts in Paris

LIKE *bouillabaisse*, political life in *Marseilles has always been a highly fla*voured and fishy business. But even by the eccentric standards of this sprawling, noisy city, with its North African casbah, huge concentration of immigrants and struggling port, Marseilles has excelled itself.

Eight months ago, Mr Jean Marie Le Pen's National Front seemed set to take over the city's monumental town hall overlooking the old port. Campaigning on familiar anti-immigration themes, Mr Le Pen won a staggering 28 per cent of the vote in the first round of last year's presidential elections in Marseilles, coming ahead of all the other candidates.

Today, his party appears to be languishing and the temperamental and impulsive *Mediterranean city seems to have turned* its back, for the time being, on the bombastic far-right leader.

The city's new hero is a 63-year-old Socialist surgeon, Mr Robert Vigouroux, who has succeeded in causing unusual pandemonium in the Socialist party.

After the death in 1986 of Mr Gaston Defferre, the Socialist baron who ruled over Marseilles for 33 years, Mr Vigouroux took over the town as a transitional *mayor. But the good doctor, as he is* locally known, soon developed a taste for high office and to the dismay of his own party decided to run for re-election this year.

He now has a strong chance of being re-elected in this month's municipal elections. His independent list heads all the public opinion polls, although he himself is still not sure of securing the necessary majority of local districts to win in next Sunday's first round ballot.

He is directly challenging the official Socialist candidate, Mr Michel Pezet, a lawyer and professional politician whose popularity has been plunging in the face of Mr Vigouroux's quixotic challenge.

The decision of the Socialist Party to expel Mr Vigouroux has made him all the *more popular. Moreover, he has secured* the support of Mr Bernard Tapie, president of the local football club and a financier who has made a fortune from taking over bankrupt companies.

President François Mitterrand, too, appears to have given Mr Vigouroux his benediction, despite the mayor's excommunication from the Socialists.

Mr Vigouroux's remarkable rise has also jolted Mr Jean-Claude Gaudin, the centrist *UDF candidate who is leading the joint* UDF and Gaullist RPR list in the city. Mr Gaudin, the head of the UDF group at the National Assembly in Paris who speaks with a colourful Provençal accent, has long campaigned to get *his* hands on the town hall.

With the local Socialists fighting their family feud and the National Front in disarray, he felt his chance had come. But in recent weeks, he seems to have become nervous.

A victory next Sunday for Mr Vigouroux could provide a telling political lesson on a *broader national level. It would help* confirm the growing disillusionment of French voters with professional politicians and the traditional parties. On the other hand, however, the Byzantine politics of Marseilles may probably always remain a special case in France.

That is if the city's peculiar, undisciplined political system does not slowly spread north to other parts of the country. "If France were to return to a Fourth Republic style of politics, Marseilles could clearly lead the way," remarked a long-time resident.

New draft constitution for Hungary

By Leslie Colitt in Budapest

HUNGARY'S Justice Minister, Dr Kalman Kulcsar, paid a unique tribute to the world's "longest lasting" constitution – in the US – as the reform-minded Hungarian Communist Government submitted a new draft constitution to Parliament yesterday.

The new "basic law," criticised by several MPs *as being* undemocratic, will replace what Dr Kulcsar called the "alien and artificial" Stalinist constitution adopted in 1949.

The constitution is to guarantee a new multi-party system, to be adopted before next year's elections – the first to be contested in 40 years. It is seen by Hungarian opposition groups as a vital test of the Government's attitude towards them.

In a preamble, the draft constitution establishes that Hungary is a free, democratic, and socialist state, which it refers to as a People's Republic. No mention is made of the Communist Party's leading role, which was enshrined in the old constitution.

Opposition groups object both to describing Hungary as socialist and as a people's republic.

They fear these attributes could be used to prevent non-Communist groups from being accepted as political parties under an election law to be passed next August.

Dr Kulcsar said the new constitution would provide for a "separation of powers". Several opposition organisations claimed this was a mockery, as long as the Communist Party remained a state party, while all Government Ministers were party members.

They noted that a newly established constitutional court would be packed with judges serving life-time terms, who were party members.

Mr Geza Kilenyi, Deputy Justice Minister, has indicated that the Communist Party would be guaranteed a majority in next year's planned election.

A newly formed Social Democratic Party is regarded by the Communist Party as the *most serious potential threat* to its future rule.

Protesters bar Soviet nuclear ship from ports

By Quentin Peel in Moscow

A HUGE nuclear-powered Soviet merchant ship is stranded at anchor outside the port of Vladivostok, in the Soviet Far East, after unprecedented popular protests have banned it from docking at any of the major ports on the country's Pacific coast.

The pride of the Soviet merchant fleet, the Sevmorput, a 61,000-tonne Lash (lighter-aboard-ship) carrier, is wallowing in a force seven gale because of environmental fears over the danger posed by its nuclear reactor, according to Soviet press reports.

Workers in a string of ports, including Vladivostok *itself*, headquarters of the Soviet Pacific fleet, and neighbouring Nakhodka, Vostochny, Magadan and Petropavlovsk-Kamchatsky, have been backed by their local councils in refusing to unload the giant lighter-carrier at the end of its maiden voyage *from* the Black Sea.

Described by the Soviet press as an "atomic giant" and designed to carry some 70 barges on board, the Sevmorput left Odessa on its maiden voyage in January for Viet*nam, passing through the Bos*porus on January 12.

Western naval observers say the ship, heavily reinforced for ice protection, is intended to open up the northern sea routes for the Soviet Union, operating between Vladivostok and Murmansk, and serving the Arctic and Pacific ports in between. Those are exactly the ports which are now refusing to handle it.

In spite of the insistence of the *Soviet Ministry of the Mer*chant Marine that the ship is totally safe, Vladivostok city council and the rest have refused to let it dock until they receive "extra information about the radiation safety of the ship," according to Sovietskaya Rossiya, the Communist Party newspaper in the Russian federation.

The Greek Prime Minister, Mr Andreas Papandreou, pictured above with his companion Ms Dimitra Liani, said yesterday that he would sue Time magazine over an interview with Mr George Koskotas, the fugitive banker in custody in the US. In the interview, Mr Koskotas alleged that millions of dollars in misappropriated funds had been channelled to top officials in Greece's ruling Socialist party.

Ligachev leaves Moscow before key farm meeting

By Quentin Peel in Moscow

MR YEGOR LIGACHEV, the most powerful conservative figure in the Soviet leadership, left Moscow yesterday on a surprise trip to Czechoslovakia, only days before a critical Communist party meeting to decide the future of Soviet agriculture.

His sudden departure appears extraordinary in the light of obvious divisions in the Soviet leadership on reform of agriculture, the portfolio for which he *is now responsible* in the party central committee.

Last week the politburo failed to finalise proposals for next week's full-scale central committee plenum, and is expected to thrash them out again this week. It would normally meet today.

Mr Ligachev's position as second only to Mr Mikhail Gorbachev in the Soviet leadership has looked increasingly untenable, as he has made clear his doubts about the pace and scale of perestroika reforms.

In his most recent speech on agriculture he appeared to differ sharply with the leading reformers in the politburo, insisting that stepping up investment, rather than radical changes in land-ownership system, was the key to reviving the farm sector.

Mr Gorbachev has put far more stress on the need for a relatively rapid switch to leasehold property for individuals and groups on the old collective farms.

The official statement from Tass, the Soviet news agency, said that Mr Ligachev's trip to Prague was for a working visit at the invitation of the Czechoslovak Communist Party.

That could still mean either that the Prague leadership is looking for urgent support in its own conservative policies from the leading Kremlin conservative, or that Moscow is sending the most acceptable emissary to urge the Czech party to move faster. *Neither* is a particularly satisfactory explanation for the visit.

Minister says W Germany must stem foreign influx

By David Goodhart in Bonn

MORE THAN half a million people will settle permanently in West Germany this year despite growing public anxiety about the influx of foreigners, according to Mr Friedrich Zimmermann, the Interior Minister. Speaking at a press dinner, he said the only way to halt a rising tide of hostility to foreigners was to restrict the flow, especially of illegal asylum-seekers.

The Bonn cabinet yesterday announced that visitors from *14 countries* in Africa, Asia and South America will henceforth require visas for entry. Visas will also be required of Yugoslavs, despite protests from the Belgrade Government.

In 1988, West Germany received about 340,000 new immigrants. About 200,000 were *Aussiedler* – ethnic Germans from the East bloc, 40,000 East Germans, and 103,000 asylum-seekers. The Government is legally and emotionally committed to keeping the door open to the ethnic Germans, but wants to prevent the widespread abuse of the liberal asylum laws.

Mr Zimmermann's ministry says that only 10 per cent of last year's asylum-seekers were genuinely fleeing political persecution. The rest were escaping depressed economic conditions, which is not grounds for asylum, but, once asylum-seekers have entered the country, it is difficult to expel them.

About 50 per cent of all asylum-seekers last year came from Poland and Yugoslavia, and, according to the Interior *Ministry, only 2.7 per cent of* Poles and 0.2 per cent of Yugoslavs were real political refugees.

Mr Zimmermann admitted that visa controls would have only a limited effect in controlling asylum abuse, and would not be introduced soon enough to stop the number of refugees rising to 150,000 this year. The number of *Aussiedler* and East Germans will rise to 350,000.

The issue of abuse of asylum regulations has been simmering for some years, but has become more heated following the new inflow of *Aussiedler*, who have complete freedom to *choose where they live in West* Germany.

Their relative concentration in West Berlin is one reason for the success of the xenophobic Republican Party in the city. Mr Zimmermann said that the Republicans and the Berlin Greens, who are about to form a government with the Social Democrats, were equally extreme.

A different perspective on the immigrant question comes in a report drawn up for the Chancellor's Office by Professor Bert Rürup. He argues that West Germany should recognise that it has long been *an immigrant country and*, with a declining indigenous population, will become even more so. He estimates that by the year 2030 nearly 20 per cent of the population will be non-German. In 1980, 57.1m Germans and 4.5m foreigners (7 per cent) lived in the country.

Turkish steel union calls out members

By Jim Bodgener in Ankara

TURKEY'S steelworkers' union, Celik-Is, has called its 24,000 members in the public sector out on strike on March 22 following the breakdown of wage negotiations earlier this week. This could be the prelude to a chain of stoppages in April orchestrated by the main trade union Turk-Is, which estimates workers' real purchasing power has decreased by about half over the past five years.

The *steelworkers' action* will come only four days before Turks go to the polls in local elections which could have a decisive influence on the political fortunes of Mr Turgut Ozal.

Exports by the iron and steel sector in January-November period *totalled* $1.26bn.

Strikes may hit Dutch national papers *tonight*

By Laura Raun in Amsterdam

STRIKES IN the Dutch printing industry are expected to hit big national daily newspapers tonight and have already affected leading international publications. About 3,000 printers stopped work yesterday, keeping many regional newspapers off the streets.

Printers and employers appeared farther apart than ever over a benefits package that provoked a breakdown in talks on February 24.

The FNV print union will decide this evening when to walk out at NDU, the Elsevier subsidiary which publishes the quality daily NRC Handelsblad. Union meetings will be held today and tomorrow at the Telegraaf, the Netherlands' largest circulation daily, and at Perscombinatie, which publishes several national dailies.

The *Economist*, the weekly British newspaper, is moving *its printing* back to England this week, and Time, the US weekly magazine, has emergency plans which it declined to divulge. Both are questioning the long-term future of their printing operations in the Netherlands.

The printing dispute centres on a benefits package including early retirement, and supplementary disability payments. The two sides have agreed in principle on a 2 per cent wage rise but disagree on the implementation date.

Why British diplomacy cuts a poor figure in Iran's holy war

Ian Davidson argues that it is Britain which should have severed diplomatic relations rather than attempt conciliation

THREE weeks have now passed since Ayatollah Ruhollah Khomeini issued a religious edict calling for the death of Mr Salman Rushdie, author of The Satanic Verses, and a peaceful settlement of this appalling affair appears as far away as ever.

Iran has now broken off diplomatic relations with Britain, *and is attempting to whip up* support for its holy war from other Islamic states at the forthcoming conference in Riyadh. Moderate Arab states *will probably turn a deaf ear to* the Iranian campaign; but whatever the immediate diplomatic outcome, there can be no doubt that the Iranian threat to Mr Rushdie's life remains as serious as ever.

In the circumstances, one can only be dismayed at the *figure cut by the British Gov*ernment in its response to Iran's monstrous attempt to defy the rule of law in Britain. It is Iran which has broken off relations with Britain; and yet Britain is being threatened by what amounts to a declaration of terrorism, and in logic it *ought to have been Britain* which broke off diplomatic relations.

Moreover, the British government went to demeaning lengths to avert such a diplomatic rupture. Mrs Thatcher and Sir Geoffrey Howe both attempted to appease the Iranians by issuing their own criticisms of the Rushdie book. Yet it must surely have been obvi*ous that the Government could* not do or say anything which would be consistent with British law and would also satisfy the Iranians. Mealy-mouthed expressions of distaste for The Satanic Verses merely served to make the Government look obsequious and cringing.

When Sir Geoffrey Howe said on the radio: "We understand that the book itself has been found deeply offensive by people of the Moslem faith", he *was making an observation* which was entirely otiose. He made matters much worse when he went on to say: "The British Government, the British people, don't have any affection for the book, which is extremely critical, rude about us. It compares Britain with *Hitler's Germany. We don't* like that any more than people of the Moslem faith like the attacks on their faith contained in the book."

The implications of these words are unmistakable and alarming: in the hope of avoiding a break in diplomatic relations, the British Government was fully prepared to adopt the posture of an equally injured *party, even if it meant endors*ing (in modified terms) the Ayatollah's attack on The Satanic Verses. If Mr Rushdie felt he was in danger of being *dumped by the British Govern*ment, he may have had good reason.

Whether Sir Geoffrey or Mrs Thatcher thinks The Satanic Verses is a nice book or a nasty book, whether they believe it is offensive to Moslems, or whether they consider *it is unfair to the British* people, are entirely irrelevant questions. In any case, they are wholly unqualified, in their capacity as elected politicians, to have a useful opinion on any of these subordinate issues.

Under the Iranian gun, the *only questions which are* immediately relevant are whether Mr Rushdie was legally entitled under British law to write and publish his book, and whether Ayatollah Khomeini is entitled to incite the murder *of Mr Rushdie. If* the British Government

IAN DAVIDSON
ON EUROPE

believes that the answers to these two questions are, respectively, Yes and No, it should have stuck to these two essential principles.

At the beginning, Mrs Thatcher may have meant to echo that famous quotation of Voltaire: "I disapprove of what you say, but I will defend to the death your right to say it." By *last* weekend, however, such a simple principle had been muddled by political calculation.

In their lapse of courage and consistency, Mrs Thatcher and Sir Geoffrey were not alone. In France, Mr Jacques Chirac, the former prime minister, also criticised Mr Rushdie's book. The French Government, however, has remained firm on the point that incitement to murder is a criminal offence and should be prosecuted.

No doubt it will be argued *that in a longer perspective*, more complex considerations should come into play. Britain, like France, has a large, settled Moslem community, many of whom are or will be voters and taxpayers. Political leaders have, therefore, a real duty to take account of their cultural and religious sensibilities, especially *if they accept* the reality of a multi-cultural society. If enraged Catholics are entitled to demonstrate against Martin Scorsese's film The Last Temptation of Christ, surely Moslems are equally entitled to demonstrate against The Satanic Verses.

These considerations have their weight; but they remain irrelevant to the problem posed by Ayatollah Khomeini's call to murder. Moslems in Britain or France may be entitled to their own distinct cultural and religious identity; but only within the limitations permitted *by the law. Those limita*tions are directly challenged by the terrorist threat issued by Khomeini.

In a narrow sense, it ought to be possible for the British police to fend off that chal*lenge by guarding the life of* Mr Rushdie. Yet it is hard to believe that such a response is sufficient. Insofar as the Ayatollah's threat is partly symp*tomatic of an internal* power struggle in Iran, there may be grounds for hoping that in time it will be lifted. But if the threat were to remain in force over the longer term, Mr Rushdie's rights would not be satisfactorily protected by the constant presence of police bodyguards.

The Rushdie affair underlines two major questions facing the countries of the European Community. The first is, *how will* they maintain security against external threats at a time when their internal frontiers are progressively dismantled as part of the Single Market. The second is, how serious will be the tension between the ideal of a tolerant, multi-cultural society and the *intolerance* of religious fundamentalism?

The first question is *manifestly* easier than the second and is already being addressed in negotiations between the member states; despite ideolog*ical differences* between member states on the periphery of the Community and those in the centre, the European Commission hopes for early progress on common rules governing asylum, extradition and visas.

Yet the second question is more fundamental, even if it is not susceptible to any answer which is simple or sure. Mr Jean-Marie Le Pen, leader of the extreme right-wing Front National, has seized on the Rushdie affair in the run-up to Sunday's French municipal elections as a justification for his anti-immigrant policies. Mr Le Pen's views are scandalous and outrageous; his nostrums would be unworkable.

It cannot be denied that Khomeini's *fatwa* raises profound questions about Europe's social values and the incompatibility between those values and the most extreme forms of religious fundamentalism.

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WORLD TRADE NEWS

Japanese whisky importers told to cut prices further

By Ian Rodger in Tokyo

WHISKY importers in Japan have been rebuked for planning not to pass on to consumers all the substantial reductions in taxes on spirits that will come into effect next month.

Japan's National Tax Administration Agency this week asked leading importers "to make efforts" to reduce their prices further from April 1.

That is Japanese official shorthand for a Government order, and it comes at an awkward time. After 18 years' lobbying by the UK and other foreign governments, the Japanese Government finally agreed last year to reform its drinks tax system which has discriminated against imports.

In anticipation of the changes, importers have been working feverishly for months on how best to market their brands, including setting pricing and promotion strategies. Now, with only three weeks to go, these plans could, in some cases, be undermined by the tax agency's demands.

According to the tax agency, the net effect of the reduction of special taxes on spirits and the introduction of a 3 per cent value added tax on April 1 should be a reduction of up to nearly Y800 on a 750ml bottle of imported whisky.

However, an inquiry into importers' pricing plans under the new regime has revealed that the prices of most of the leading brands will go down by less than the amount of the tax reduction.

For example, the tax on a bottle of Bell's is set to drop by Y888, but the importers plan to maintain the selling price unchanged at Y3,200. The tax on a bottle of Chivas Regal is dropping by Y548 but the selling price is coming down only Y500 to Y8,000.

On the other hand, in a few cases, the planned price cuts are considerably greater than the tax reductions. For example, the price of Johnnie Walker Black Label is set to drop by Y2,000 to Y6,000 even though the tax on it is coming down by only Y607.

One leading importer said yesterday that pricing policy was none of the tax agency's business. Another said that the tax cuts were not being passed on entirely because the company needed the money to support planned big increases in advertising spending.

A tax agency official said yesterday: "Of course, we do not care if the companies make more profit or lose business. However, if they do not cut their prices sufficiently, that is equivalent to raising prices and that is subject to guidance".

Hungary may reform its trade with Moscow

By Leslie Colitt in Budapest

HUNGARY is considering a radical reform of its stagnating barter-like trade with the Soviet Union by conducting non-military trade with Moscow in hard currency.

Dr Istvan Degen, a spokesman of the Hungarian Communist Party, said Hungary's economic relations with its partners in Comecon, the Soviet-led trading bloc, must be based on "self-interest and not on ideological questions or friendship".

His proposal for placing Hungarian-Soviet trade on a hard-currency basis follows another Hungarian blast at Comecon, which was meeting in special session this week in Prague to discuss integration and a "common market".

Mr Matyas Szurös, a Central Committee Secretary, said Hungary's ties with Comecon only preserved the nation's "backward economic structure".

He told a session of the Central Committee it was in Hungary's basic interest to implement radical reforms within Comecon.

His remarks reflected growing Hungarian frustration with the lack of reforms in the organisation.

Honda takes fresh aim at Europe

Kevin Done reports on plans for the Japanese car maker to export cars from the US

HONDA, the Japanese car maker, is planning to begin exporting cars from the US to West Europe in 1990. The move heralds a new offensive on the European car market by Japanese car makers, who are constrained by quotas on direct imports from Japan in several key European car markets, most importantly France, Italy and Spain.

The European car industry is facing a two-pronged attack from Japanese car makers in the 1990s, as Japanese automotive groups build new vehicle assembly plants within Europe – Toyota is seeking a site in the UK – and seek to export to Europe from new assembly capacity recently built in North America.

The Japanese motor industry offensive is one of the most sensitive trade issues facing the European Community in the 1990s, as some countries – most importantly France and Italy – seek to continue protection of the European market with import quotas and strict rules on local content.

In Geneva on Tuesday both Honda and Mazda of Japan said that plans for assembly operations in Europe were under consideration.

At the same time Mr Robert Eaton, president of General Motors Europe which controls close to 11 per cent of the European new car market with its Opel/Vauxhall operations, warned that the Japanese could capture up to 25 per cent of the European market by the mid-1990s compared with 11 per cent at present.

Mr Takeo Okusa, general manager of Honda Motor's sales division responsible for Europe, said that Honda planned to begin exporting 10-20,000 cars a year from the US to West Europe in 1990.

It is planning to sell the US-produced Honda Accord Coupe in Europe, which is produced exclusively at its Marysville, Ohio assembly plant. It already exports the same car to Japan from the US.

By the early 1990s Japanese vehicle makers will have established a capacity in North America for producing around 2.5m vehicles a year, and it has long been expected that part of that output would be directed at the European market.

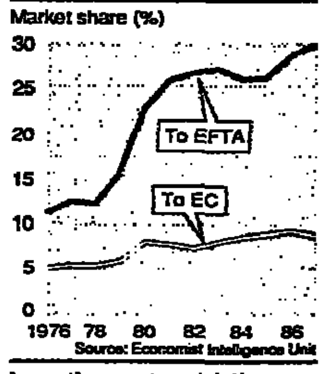
Honda is already aiming to increase its presence in Europe later this year, when production begins at the Rover Group's Longbridge, Birmingham assembly plant in the UK of its new Honda Concerto.

The car has been developed as part of its collaborative venture with Austin Rover, which will also launch in the autumn its own version of the car, code-named the R8.

Mr Okusa said that production of the Concerto in the UK would total 20-30,000 in the first year, rising eventually to 40,000.

Around 10,000 or a quarter of the total would be aimed at the UK, but Honda was aiming to sell some 20,000 units a year in France, Italy, Spain and Portugal, the four countries which have the most restrictive quotas on direct imports from Japan.

Japanese car exports



Honda sold close to 150,000 cars in West Europe last year in line with the quota agreed by Japan with the European Community.

Mr Okusa said as a result of the quota Honda was seeking to upgrade its model line-up in Europe to higher value sporty and luxury cars, while dropping economy versions in each model segment.

Honda is already building a $45m, 70,000 units a year engine plant in the UK, to supply engines for its UK-built Concerto and some Rover R8 models. Production begins in the early summer.

Mr Okusa said that a car assembly plant in Europe was now "the big question-mark".

"We have not concluded yet how to proceed in the future. Basically we wish to have assembly in Europe, but we have to see whether it is really economically viable."

Such an assembly plant would be in addition to planned production at Rover's Longbridge plant.

It has long been expected that Honda would use its production agreement with Rover – together with imports from the US – to build its European distribution network, prior to building its own European assembly plant. It already owns a large site at Swindon in the UK, the location of its engine plant.

Mr Norimasa Furuta, president of Mazda, said the company had not yet decided what strategy to adopt in Europe.

"If we decide for production in the European Community, we will not be able to come by ourselves. It is more natural to join forces with someone else."

Ford of the US, the world's second largest automotive group which controls around 12 per cent of the European new car market, owns a stake of close to 25 per cent in Mazda, but Mr Furuta said: "We are looking at the possibility of working with other companies, not only Ford."

Mazda was approached last August by Enasa, the Spanish commercial vehicle maker, for a joint venture in Spain, but contacts were "at a very preliminary stage", said Mr Furuta. Equally talks with Saab of Sweden for the Swedish group to use some Mazda technology had "not shown much progress", he said.

Mr Robert Eaton, GM Europe president, said that "import quotas are no long-term solution to the competitive challenge" facing Europe from Japanese car makers.

He warned, however, that "Europe would hardly be in a position to fully open its borders to imports from the Far East without considering the many years and decades in which the Japanese market was totally blocked at the expense of European manufacturers.

"I suspect that if we don't react faster than the US, by 1996 there is no reason the Japanese share will not be at 25 per cent of this market. Europe must make progress at a considerably faster rate than in the past."

ECGD to retain short-term cover for exports to Iran

By Peter Montagnon, World Trade Editor

THE Export Credits Guarantee Department said yesterday it is to remain open for short-term cover on British exports to Iran despite the total severance of diplomatic relations between the two countries this week.

ECGD has been open for short-term cover on Iran since 1982 and an official yesterday described it as a "fairly busy, regular market".

However, the department will continue to require exporters to produce an irrevocable letter of credit as one condition for obtaining cover. Credit periods are limited to a maximum of 24 months including a 12 months pre-credit period between the placing of an order and actual shipment.

The decision to remain open for Iranian short-term cover reflects ECGD's long-established practice of judging markets in terms of economic risk rather than on the basis of the state of bilateral political relations. Underlying this is also a firm UK government belief that trade embargoes do not work.

Following the cessation of hostilities in the Gulf war, ECGD received an upsurge of inquiries from exporters hoping to benefit from reconstruction orders and was for a time considering restoring medium-term export credit cover.

Unusually for ECGD, this debate was caught up in politics, specifically the desire not to make any concessions to Iran until the problem of UK hostages held in Tehran and Beirut was resolved.

Given the clash between the two countries over the death threat to Mr Salman Rushdie, author of The Satanic Verses, the chances of medium-term cover being restored are now regarded as remote.

Separately, ECGD also remains cautious about the possibility of restoring medium-term cover to Nigeria, following that country's rescheduling agreement with official creditors reached in Paris last weekend. Officials declined to be drawn into speculation.

This means that a question still hangs over the fate of the £200m trade credit line arranged for Nigeria by Barclays Bank in 1987 when cover was expected to be restored quickly. This line has never been activated, although Nigeria would like to have access to it.

Japan micro-disk venture in US

FUJI Photo Film, Japan's top photographic film maker, announced yesterday that its US subsidiary will establish a joint venture with BASF to produce floppy disks in the US for the North American market, AP reports from Tokyo.

The equally-owned partnership company, B and F Microdisks, will build a $48m (£26.6m) facility in Bedford, Massachusetts, and start making 3.5 inch micro floppy disks for use in personal computers this autumn, creating 230 new jobs.

The facility, capable of producing some 7m disks a month, will be one of the largest of its kind in the world, according to company officials. Some 90m disks to be manufactured in Bedford will be marketed independently by each company in equal shares.

S Korea relaxes import barriers

SOUTH Korea has lifted import barriers on 261 products to help reduce its trade surplus with the US and other major trading partners, officials said yesterday, Reuter reports from Seoul.

"This is a follow-up step to market-opening measures agreed by economic ministers last month," a trade ministry official said.

The ministers, fearing Washington might choose Seoul as an early target of tough new US trade legislation, had agreed to remove non-tariff import barriers on 124 items to help slash the trade surplus. Yesterday's announcement more than doubled the number of products affected.

The items include 194 raw materials used in pharmaceuticals.

Italian machine tools 'overtake US in sales'

By Alan Friedman in Milan

THE Italian machine tools industry yesterday claimed to have overtaken the US in terms of total sales for 1988, thus moving up from the fifth to fourth spot in world ranking.

UCIMU, the Milan-based association of Italian machine tools and flexible manufacturing system (FMS) producers, said that 1988 sales increased by 26.5 per cent to L4,010bn (£1.7bn).

Italy's exports of machine tools and related systems also showed healthy growth last year, with a 27.3 per cent rise to L1,840bn. UCIMU said that after taking account of inflation the figure for export growth was 22.7 per cent higher in real terms.

Mr Piero Ruffini, director-general of UCIMU, said domestic sales by Italian machine tool makers had been helped by a substantially higher level of capital investment in certain industrial sectors.

Commenting on the strong export performance, Mr Ruffini said that aside from buoyant demand from clients in Italy's traditionally important export markets such as France, West Germany and the Soviet Union, there had been an improvement "in the manner in which Italian companies cooperate in organising and selling abroad".

Import demand was also strong last year, with a 31.6 per cent increase to L1,015bn (25.6 per cent in real terms), but Italian machine tools makers still achieved an overall L825bn trade surplus in the sector, a 22.4 per cent rise in nominal terms and 16.8 per cent in real terms.

In total sales, Italy says it now ranks fourth below Japan, West Germany and the Soviet Union, and, for the first time, ahead of the US. As machine tool exporters, Italians say they are behind West Germany, Japan and Switzerland.

Eastern Airlines pilots braced for bankruptcy

By James Buchan in New York

PILOTS at Eastern Airlines, who have virtually shut down the troubled US carrier by refusing to cross picket lines set up by striking ground crew, were yesterday preparing for management to place the airline in bankruptcy.

"We knew we were laying our jobs on the line," said Captain Gordon Lane, spokesman for the union representing 3,600 pilots at Eastern. "Our lawyers have a strategy planned. It's a disaster, but it's not the end of the world for us."

Industry executives said yesterday that the future of Eastern, which has suffered a flood of losses since the strike began on Saturday, now hangs on an appeal by the airline against Tuesday's court ruling permitting the pilots to stay out.

A federal court in Miami rejected Eastern's argument that the pilots were staging an illegal strike.

The chaos at Eastern began on Saturday morning when 8,500 baggage handlers and mechanics walked out in protest at management's demand they accept pay cuts.

If Eastern's appeal fails, the industry expects Mr Frank Lorenzo, chairman of Eastern's Texas Air parent group, to liquidate the company through outright sale or dismemberment in bankruptcy. Analysts believe that Eastern's assets could cover its $2.5bn in debts and leave Texas Air without financial loss from its frustrating three-year ownership of the airline.

Analysts say outright sale would be difficult. "He has got to have been talking to a buyer already on this," said Mr George James, a Washington-based airline consultant. "Costs are running so high that there just isn't enough time for a guy to spend a month looking over Eastern and talking to the unions about concessions. Still, Frank is a planner and he's smart enough to have thought about this a month ago."

The unions are also pushing for the sale of the airline.

Treating television viewers to prime time trash

The US TV industry is caught in a competitive spiral of its own making, reports Jessica Josephson

THERE is no shortage of competition in the US television industry. But it is caught in a competitive spiral which seems only to head downwards in the desperate search for hit shows and advertising revenue.

The pie may be growing larger but, the industry is in turmoil. The result is stagnant programming and falling standards. "No one in the industry is addressing the real problem – that's competition. The networks aren't doing anything, and I don't see shock television as an answer. How can you programme to top outrageous programmes? It doesn't make sense," Mr Neil Kuvin, president and general manager of the CBS affiliate in Louisville, Kentucky, said at the annual meeting of the National Association of Television Programme Executives.

Mr Michael Eisner, chairman and chief executive of Walt Disney, decried the trend towards "trash", "tabloid" or "confrontational" television.

The US TV industry must aim for the best achievable programming rather than the formula of least objectionable programming which he suggested was in operation today. He predicted that trash television was a fad which would turn away audiences.

The emergence of shock value, trash television in network and local TV in the past two years can be seen as a direct result of competition from cable, VCRs and the emerging pay-per-view industry. In 1979, most US television households watched the three networks and a few local independent stations.

The percentage watching in evening prime time was 91 per cent or 69.4m television households, according to a study for Blair Television.

The statistics tell a different story today. A syndication executive told the recent Houston convention that network share was down to 68 per cent of all households, and that it was predicted to drop further to 50 per cent.

Mr Kuvin echoed the concern of the industry as a whole. Competition from basic and pay cable has grown stronger in recent years, after a slump in 1984.

New services are coming on line. Last autumn Mr Ted Turner bought the US TNT (and may bring it to Europe) – a movie channel showing all vintage films. HBO has recently announced that it will be introducing a new comedy and music channel.

The station groups have enough economic clout to make programmes for their own stations. Mr Hal Vogel, senior vice president of Merrill Lynch covering the media, believes that by 1990 pay-per-view will become a substantial and successful competitor in an already crowded arena.

The industry is in turmoil. The stations are looking for the next hit show to increase the ratings and pull in more advertising dollars, while watching the growth of advertising on cable – worth $1.8bn last year – and the growth of barter (where syndicators make their money by selling a show for advertising time).

The syndicators are pouring more money into promotion and station support. The sale of *Cosby* into syndication garnered the show more than $800m according to some reports, and Viacom spent over $10m on its promotion.

The mood of the convention was grim. This is the industry's grand bazaar where individual stations buy next year's non-network programmes. The networks – ABC, CBS, NBC – supply free programmes to about 630 affilitated stations, while the other 330 independent, non affiliated stations, must buy their own programmes outright from syndicators – programme producers and distributors for cash, or in a barter transaction. But business was slow this year.

"We can't afford to take a gamble on new programmes. They have to be a sure thing for us to move anything off our schedule today" said one station manager. "I have an open mind but a closed schedule." Herein lies the problem. Massive deregulation in the early 1980s brought over 250 new independent stations on line and Wall Street fell for them.

The TV station business had always been profitable: during the early 1980s some major market affiliates were showing profit margins of up to 70 per cent pretax profit. As supply began to exceed demand, the predictions of endless profit growth came unstuck. Some of the more highly leveraged properties went under.

Syndication, which had been a high growth business also felt the pinch. But the giants – companies such as King World (syndicators of *Wheel of Fortune*), Paramount TV, MCA TV, Viacom, Columbia Pictures Television – all survived.

When the smoke cleared, stations around the country were left with overstocked inventories and schedules with no space for new programmes; a flat advertising marketplace and no "breakthrough" programme ideas.

This year's network performance presages a problem in the syndication marketplace for some time to come. Mr Mel Blumenthal, senior vice president of MTM, one of the smaller programme producers and distributors, said he had no major plans for syndication.

The network shows are deficit financed – the network pays 80-90 per cent of the cost of the show as a licence fee to the producer for a set period – the producers must finance the remaining portion either by syndication sales, foreign, cable or ancillary sales, after the network run. For these sales to cover the production costs, there must be enough shows to make it attractive in a syndication marketplace.

Thirteen shows of a marginal product is not enough. Mr Blumenthal indicated that two pilot shows had been ordered for possible inclusion in the network's autumn schedules. But hundreds of the pilot shows produced never make it to the air.

Responses from the industry to these problems have been varied. Verticle integration is one. Paramount has just bought a station group which had been taken over by Solomon Brother. The Tribune Company (station owners) are programming and syndicting and Disney has bought a television station.

Consolidation is another. Some smaller syndication companies have dropped out, merged with their larger brethren. Recently three weak independent stations merged to form one strong one.

The industry's problems have been caused by an embarrassment of riches. Although advertising revenue growth has slowed down, advertisers still see television as the most effective medium for reaching people; but their options are widening – national, local, highly targeted cable.

More viewer choice and more distributor choice are forcing the industry through a troubled period of adjustment.

"People want choices", said Jim Coppersmith, vice president and general manager of WCVB, an ABC Hearst affiliate in Boston. "The station business once the shakeout is over will be fine. But fragmentation and competition will continue – and he who has the best programmes will have the viewers."

Senior Argentine general sent into retirement

By Gary Mead in Buenos Aires

BRIGADIER-GENERAL Heriberto Justo Auel, the sixth-ranking general in the Argentine army, has been forcibly retired on the command of Gen Francisco Gassino, the army chief of staff.

Gen Auel, who at 57 is a leading military strategist, was placed on the availability list by Gen Dante Caridi, the former chief of staff, in January 1987, after a rebellion led by Col Aldo Rico.

It was suggested then that General Auel sympathised with the aims of Colonel Rico, though no formal case has been made against him. Any officer thus relieved from active duties is automatically retired after one year.

Under the most recent army insurgency led by Col Mohamed Ali Seineldin, at the beginning of December, one of the rebels' key demands was the removal of Gen Caridi, who resigned on December 23. A further demand was the reinstatement of rebel officers and sympathisers.

Army rebel leaders are believed to be concerned that Gen Gassino is continuing Gen Caridi's policy of removing officers suspected of being more loyal to the army than to the civilian government.

●The austral reached a record on the black market yesterday of 40 for one US dollar, compared with 18 at the beginning of February.

Amazon 'needs foreign funds'

By Ivo Dawnay in Manaus

FOREIGN funds are essential to back up the Brazilian government's drive to conserve the threatened Amazon rain forest, Mr Amazonino Mendes, the Amazonas State governor, said yesterday.

Mr Mendes, who has been hosting a two-day debate on the federal government's new ecology policy, also accepted that foreign funding would imply a degree of foreign monitoring.

On Tuesday, senior government officials unveiled substantial conservation legislation, restrictions and controls on forest exploitation and research into rational development for the 514m sq km region. The measures – dubbed "Our Nature" – appeared designed to head off growing international and domestic criticism over the destruction of Amazonia. But no details were given as to how the conservation proposals would be funded.

The administration of President José Sarney is wary of outside financial assistance precisely because the international community is likely to demand a monitoring role. The federal authorities have repeatedly ruled out any overseas interference in the region's affairs.

These conflicting views emerged during the meeting attended by eight state governors and a group of foreign journalists especially flown in.

"There is no money. The country is literally without any resources," Mr Mendes said. "It is only normal that those who give the money should have the right to monitor how it is spent in the same way as the World Bank looks after its loans."

The governor also risked the wrath of Brasilia by agreeing that pressure from abroad had played a big role in awakening sufficient concern about deforestation to bring about the two-day meeting.

Moreover, he revealed that state governors have long been angry at the alleged failure of the federal authorities to consult them on what measures should be taken.

State governments have until April to draw up their conclusions on the programme for submission to Brasilia before a plan is concluded.

Antigua goes to polls today

THE control of the government of Antigua by one family for nearly four decades will be challenged in a general election today, reports Canute James in Kingston.

Mr Vere Bird, Snr, Prime Minister and leader of the Antigua Labour Party, has said he is confident of retaining control of the government. The ALP, which had 16 of the 17 seats in the last parliament, is being challenged by two small opposition parties.

The eastern Caribbean island's 78,000 inhabitants are likely to regard with concern the squabble over Mr Bird's successor. Bids for succession have been made by Mr Lester Bird, deputy Prime Minister and party chairman, and Mr Vere Bird, Jnr, his older brother.

Defeat in Senate still predicted for Tower

By Peter Riddell, US Editor in Washington

SENATOR George Mitchell, the Senate majority leader, was yesterday still predicting defeat for Mr John Tower's nomination as US Defence Secretary despite the decision of two fellow-Democrats to vote for confirmation.

The Republicans need three more Democrats, as well as holding all their 45 senators, to force a tie and invoke the casting vote in favour of Mr Tower from Vice-President Dan Quayle.

Consequently, the Republican leadership is prolonging debate to try to win over enough of the four or five Democrats who are will undecided, in addition to Senator Howell Heflin of Alabama and Senator Christopher Dodd of Connecticut who have already backed Mr Tower. But at least one Republican, Senator Larry Pressler of South Dakota, is leaning against confirmation.

As the fifth day of the increasingly bitter debate started yesterday, Senator Mitchell was pressing for an early vote.

He said the vote would show a rejection of the nomination.

Senator Robert Dole, the Republican minority leader, warned that "this has barely begun". Some of his colleagues are talking not only of delaying a vote until next week but possibly until early April after Congress returns from its two weeks' Easter recess.

Mosbacher: 'good ideas'

US may ease HDTV development

By Peter Riddell

THE Bush administration is actively considering proposals to relax anti-trust laws so that private sector consortia can be formed to develop high-definition television and other high technology projects.

In evidence to a House committee inquiry yesterday, Mr Robert Mosbacher, the Commerce Secretary, described as "good ideas" the suggestions made by Mr William Verity, his predecessor, and by Mr Richard Thornburgh, the current Attorney General, for easing anti-trust laws.

In particular, Mr Mosbacher welcomed the proposals for government certification for joint ventures deemed not to threaten competitiveness and the notification of research and development cooperation on joint arrangements.

He went further in describing as "interesting and strong possibilities" bills to relax anti-trust laws proposed by members of the House subcommittee on telecommunications.

However, Mr Mosbacher stressed that the Administration had made no decisions on how far to go in this direction and was awaiting the report of a private sector advisory committee due within a month.

He said changes in anti-trust laws and in tax credits were preferable to any large amount of federal funding of the development of HDTV – a big step forward in television technology and a potential $140bn market in the US over the next 20 years. He stressed that private sector consortia, such as that formed by ATT and Zenith, should take the lead.

But Mr Mosbacher said the involvement of Darpa, the industrial agency of the Pentagon, which is spending $30m over two to three years on research, would not be restricted to military uses, but would cover civilian applications as well – "the industrial base of high technology".

Japanese electronics threatens the American way

Calls for more government-industry collaboration on HDTV may herald a sea change in US policy, says Louise Kehoe

UNDER the banner of restoring America's international competitiveness, leaders of the US electronics industry are calling for an unprecedented level of government and industry collaboration in technology development. Their proposals constitute a challenge to the prevailing American view of free competition that may signal a sea change in US industrial policy.

The movement is gathering momentum as diverse industry groups, congressmen and academics lend their support to proposals for the formation of several government-funded industry consortia. Also pushing for increased industry and government collaboration are the US Commerce and Defence Departments.

Topping the agenda are proposals for the government to fund a national effort to "jump start" the development of high-definition television in the US. Also winning wide support is a proposal to form collaborative research groups to work on superconductivity applications. Ideas for several more consortia to work in areas of advanced technology such as X-ray lithography and opto-electronics have also been mooted.

At the same time the Commerce Department is encouraging semiconductor industry plans for memory chip manufacturing co-operatives. While no formal request for government funding has been made on behalf of this effort, industry leaders acknowledge that government help may be needed to underwrite the huge investments required.

Driving the trend toward industry co-operation is the "Japanese threat."

"The increased pace of development among our foreign competitors has forced us to find ways of improving our system," says Dr Robert Noyce, a highly regarded founder of the US semiconductor industry and now chief executive of Sematech, a semiconductor industry consortium.

The spectre of losing global superiority in technology has galvanised the US electronics industry. "We are facing economic warfare, which threatens jobs and ultimately our standard of living," said Mr Bill Krause, president of 3COM, a leading computer network company, and chairman of the American Electronics Association, a major trade group representing over 3,500 US electronics companies.

He and other industry leaders draw comparisons with the space race spurred by the Soviet Sputnik satellites in the 1960s. "The US has been driven to incredible accomplishments by such challenges in the past," Mr Krause said.

The current goals seem almost as remote as a moon landing: rebuilding the virtually extinct US consumer electronics industry, starting with high definition television, a technology in which the US is at least two years behind its foreign rivals; developing applications of superconductor materials, an undertaking that even optimists say will take at least a decade; re-establishing a major US presence in the world memory chip market.

The consequences of failing to address these technological challenges would, however, be dire, industry executives warn. They fear that the entire US electronics industry is at stake.

"If the US does not choose to re-enter consumer electronics via HDTV, the country as a whole is likely to experience a continued declining world market share in automated manufacturing equipment, personal computers and semiconductors. Loss of these markets will contribute to the erosion and eventual loss of a US manufacturing base," said a report published recently by the American Electronics Association.

"We ought to learn from the Japanese," said Mr William Weber, president of Texas Instruments' semiconductor group and a director of the Semiconductor Industry Association, a trade group that has played a major role in shaping US trade policy toward Japan.

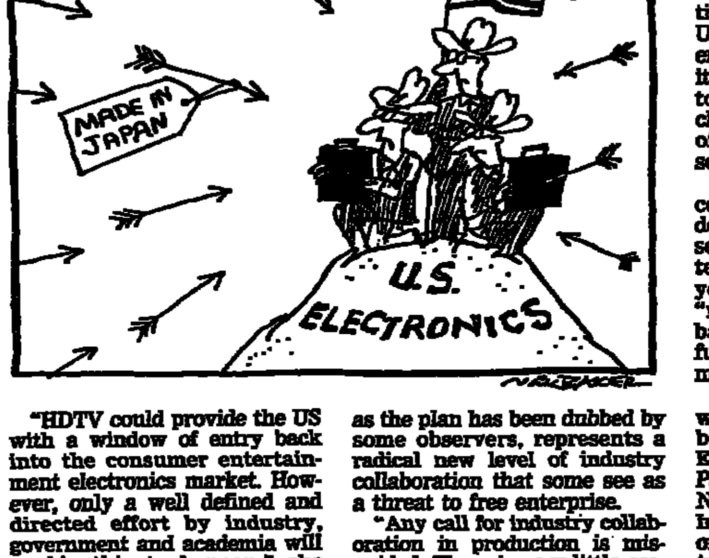
"The Japanese have a national co-ordinated strategy, whereas we in the US are at odds with each other and at times with our government. We need to focus our resources," he added. His views reflect a growing consensus in the US electronics industry.

In superconductivity research, for example, US efforts are "scattered. . . and are unlikely to survive in what we believe will be a long distance race," an advisory committee appointed by then-President Ronald Reagan and chaired by IBM senior vice president Mr Ralph Gomory, recently reported.

"In contrast the Japanese government has put in place. . . a structure that will support, co-ordinate and sustain the various individual industry efforts in Japan."

To compete with Japan, US industry and government should put together an "American equivalent" to Japan's Ministry of International Trade and Industry programmes like VLSI (a semiconductor project) and Fifth Generation (an advanced computer technology project), the superconductivity report recommended.

Similarly, proponents of an HDTV consortium claim that foreign companies have benefited from government funding and direction. In contrast, "US companies are underfunded and, as entrepreneurs, pursuing independent strategies," said Ms Pat Hill Hubbard, vice president of the AEA.



"HDTV could provide the US with a window of entry back into the consumer entertainment electronics market. However, only a well defined and directed effort by industry, government and academia will enable this to happen," she suggested.

The proposed superconductivity consortia would involve four to six groups each comprising researchers from industry, universities and government laboratories and would focus on basic "pre-competitive" research, said Dr Gomory.

"In the area of fostering new and uncertain technologies that are a long way from commercialisation, consortia can play an important role," he suggested. Costs would be shared by industry and government.

More controversial is the HDTV consortium proposal, which takes collaboration beyond the research stage to encompass manufacturing and marketing of a new generation of television sets as well as associated broadcast and transmission equipment.

Details of the industry proposal are still being worked out, and may be revised as Congressional debate gets underway this week. The basic plan, however, involves joint industry and government funding for a R&D consortium, followed by the formation of an industry partnership to manufacture and market resulting products.

Nineteen US computer and electronics companies are supporting the development of the HDTV "business plan," a document that is designed to encourage public and private investment. Among those taking part are IBM, AT&T, Apple Computer, Texas Instruments and Hewlett-Packard as well as several smaller electronics companies.

"Technology America Inc," as the plan has been dubbed by some observers, represents a radical new level of industry collaboration that some see as a threat to free enterprise.

"Any call for industry collaboration in production is misguided. There is very little economic justification for it and it represents a dangerous anti-competitive trend," said Mr Kenneth Flamm, a senior fellow at the Brookings Institution.

Nonetheless, even Mr Flamm makes an exception in the case of DRAM manufacturing, which he views as an industry sector that is "monopolised by a foreign cartel."

"A government role might be appropriate in ensuring re-entry into the DRAM market and a case can even be made for partial government subsidy of such an effort," he suggested. "Even if the computer industry were able to organise a joint effort entirely on its own, exemption from antitrust would seem to be required," he noted.

US Commerce Department officials appear to be convinced that relaxed anti-trust laws to allow production consortia are an essential part of the effort to improve US international competitiveness.

A growing number of US legislators are also convinced. Both Republican and Democratic Congressmen have recently introduced bills designed to remove restrictions on manufacturing consortia.

"US companies must be allowed to co-operate in manufacturing and marketing," Mr William Verity, former Commerce Secretary said in a retirement address last month.

"That is what has to happen if we're going to stay in some very important markets including the semiconductor market. . . or high-definition television, or superconductivity, and there's much more coming down the path," said Mr Verity.

Washington's awareness of the problems facing the US electronics industry was initially raised by the travails of US semiconductor chip makers. Faced with the harsh reality that they are losing ground to Japanese competitors, US chip makers pioneered the idea of a government-funded consortium.

In late 1987, "Sematech," a collaborative effort aimed at developing a new generation of semiconductor manufacturing technology, won $100m per year in Defence Department "matching grants" with the balance of the consortium's funding to be provided by member companies.

The industry consortium, which has 14 corporate members including AT&T, Digital Equipment, Harris, Hewlett-Packard, Intel, IBM, Motorola, National Semiconductor, Texas Instruments and Rockwell, has only recently begun to work toward its ambitious goal of leapfrogging Japanese competition to develop a new generation of semiconductor manufacturing technology.

Already, however, Sematech has produced tangible benefits, Dr Noyce claimed. "Even in the planning stages, by bringing together suppliers (of semiconductor production equipment and materials) and users (semiconductor manufacturers) we have improved their working relationships."

"Sematech has also renewed the determination of the American semiconductor industry to compete in the world market, and stimulated wider thinking about what American industry can achieve through collaborative efforts," said Dr Noyce.

Yet to be seen, however, is whether Sematech member companies can successfully pool their talents, or whether Sematech can effectively transfer the results of its research back to the companies for commercial application.

Despite the uncertainties, there is almost universal agreement within the US electronics industry that government-funded consortia represent an important new approach to improving the competitiveness of US industry.

Government funding must be considered on a case by case basis, industry leaders said. Many believe, however, that the current proposals represent a "good deal" for the American taxpayer. The potential returns far outweigh the initial investments, proponents claim.

The development of a US HDTV industry could, for example, result in employment for 232,000 workers and contribute at least $22.8bn to the US gross national product, a recent industry report claims.

The danger that the industry may become dependent upon government "hand outs" has not been overlooked, Mr Kraus claimed. "We are all very much aware of the dangers. In any consortium proposal advanced by the US industry we always insist that private and public funds are invested side by side. If a project is not of sufficient importance or does not have the potential for return on investment to attract industry funds, then we could not ask US taxpayers to invest in it," he stressed.

Worrying some observers, however, is the apparent rush to collaborative research without careful consideration of the broader policy issues that are affecting US competitiveness, such as the high cost of capital.

"HDTV alone is not the answer to US competitive problems," said Mr Sidney Topol, chairman of Scientific Atlanta. "US competitiveness must be concerned with economic performance of the nation and its industries as a whole."

"Any public funds for the development of HDTV should be focused on generic technological products which will benefit a large number of industries," an industry committee chaired by Mr Topol recommended.

There is also sharp division over whether foreign-owned companies should be allowed to join government-funded consortia. Proposals to limit membership to US companies "are the wrong approach," said Mr Michael Borrus, deputy director of the Berkeley Roundtable on the International Economy.

He suggested membership qualifications should be based on the "value added" work that companies perform in the US. This, he suggested, would allow companies such as Philips and Thomson to join the proposed HDTV consortium, but prevent Japanese television makers, whose US operations are essentially assembly plants, from participating.

Wider ranging discussions about the need for a "national strategy" in technology development are also stemming from the industry consortia proposals.

"The electronics industry is no longer at a stage where the critical success factors are exclusively innovation and technology," said Mr Kraus. "We must also have a co-ordinated strategy."

How such a strategy can be developed, and how the industry can co-operate to implement it will be the major topics at an industry "summit meeting" to be attended by chief executives of most major US electronics and computer companies next month. The meeting is in itself an extraordinary event that has required the approval of Justice Department lawyers.

In an industry renowned for its individualists and entrepreneurs, this wave of enthusiasm for co-operation between competing companies and between industry and government has come as a surprise to many observers.

"Industrial intimacy" is, however, an idea that has been steadily gaining credence among US electronics industry executives over the past few years. Increasingly, US companies have adopted a strategy of "virtual vertical integration" in which they form alliances with suppliers and customers to emulate the structure of Japanese electronics giants.

The trend represents an attempt to overcome the structural weaknesses of the US electronics industry, in which most companies are relatively small, while maintaining the advantages of spin-off innovation that have created many new companies and markets.

Since the passage of the National Co-operative Research Act in 1984, US companies have formed some 110 research consortia, many of which involve groups of computer and electronics companies that are working on various aspects of computer software development.

"When you look at the concentration of the automobile industry in Michigan, the semiconductor industry in Silicon Valley or the computer industry in the Boston area, it is clear that communications between companies, the sharing of enabling technologies, has contributed to the development of those industries," said Dr Noyce.

"It is clear that other nations have set the pace in the successful co-operation between industry and government," Dr Noyce observed. Similarly successful efforts will be possible in the US, he predicted, as long as "industry defines the targets."

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Bankers take heart from Africa's less dismal picture

Michael Holman reports that structural adjustment measures appear to be bearing fruit

SUB-SAHARAN Africa has an image of "unrelenting decline" but the statistics commonly reported "mask a more complex, less dismal picture" says the joint study of the region published today by the World Bank and the United Nations Development Programme.

Those African countries adopting the structural adjustment measures advocated by the World Bank and the International Monetary Fund can point to better economic performances than other countries on the continent, argues the appraisal.

It notes that over half the 45 countries of sub-Saharan Africa have initiated policy reforms since 1983. The results "suggest that a strategy of adjustment with growth is viable".

The report focuses on the period 1985-87, making some *tentative assessments for 1988*, and assesses domestic growth, developments in trade and commodity prices, aid flows and debt relief measures, and domestic policy reforms.

Before comparing the records of the group of countries which have undertaken adjustment policies with those that have not, the report looks at sub-Saharan Africa's overall economic performance. Gross domestic product has grown at *an average annual rate of 2.3* per cent since 1984 – less than the region's 3 per cent population growth, but reversing the annual 1.1 per cent rate of decline for the previous four years.

The report points to hopeful developments in agriculture, *the dominant sector*, which averaged 4 per cent growth between 1985 and 1988: "The often-reported decline in per capita agricultural production in sub-Saharan Africa appears to have been reversed, with rising or stable average per capita production since 1985," it concludes.

Some other developments *are less encouraging*: the domestic savings rate in the region was only half the rate for other developing countries and gross domestic investment declined in real terms by about 3.5 per cent a year in 1986 and 1987. Import purchases fell by almost 40 per cent during 1981-85 "and have scarcely improved since – less than 3 per cent". Sub-Saharan Africa's current account deficit rose from $5.3bn in 1985 to $10.3bn in 1987.

But the report goes on to say that when oil exports are excluded, "sub-Saharan Africa's most recent export performance is encouraging, with increasing volume beginning in 1985 and increasing earnings beginning in 1986". A *decline in the region's share of* world trade for its major exports (excluding oil) began to reverse in 1984: market share for coffee and cocoa (which account for 15 per cent of total export earnings) rose over 4 per cent a year in 1985-6, after falling at an annual rate of nearly 2 per cent from 1970 to 1985.

The consequences of the region's poor export crop performance are starkly set out: "If African countries had simply maintained their 1970 market share of non-oil primary *exports from developing coun*tries, their export earnings would have been $9-10bn a year higher in 1986-7", says the report, adding: "This shortfall is similar in magnitude to total debt service payments, or donor assistance."

Turning to terms of trade, the report calculates that when oil is excluded, the purchasing power of exports since 1985 did not decline.

In the chapter on capital flows and debt, the report finds that total net financial flows to sub-Saharan Africa "increased *significantly in 1986 and 1987*, rising $3-4bn over the 1985 level to reach more than $13bn in 1987." Total net flow in real terms for 1987, however, remained some 15 per cent below the 1980-83 average.

The external debt burden continues to constrain growth. Sub-Saharan Africa's outstanding and disbursed debt *increased from about $6bn in* 1970 to $129bn in 1987 – equal to 100 per cent of its gross national product and over 350 per cent of total exports. Debt service obligations amounted to 45 per cent of sub-Saharan Africa's export revenues in 1986 (for International Development Association recipients the ratio was 47 per cent), but in 1987 the ratio fell to 36 per cent for sub-Saharan Africa, but rose to 49 per cent for IDA countries.

The region's share of official development assistance (ODA) has risen from 23 per cent in 1980 to almost 30 per cent in 1987. But real growth of net ODA was lower in 1987 than in 1986 and 1985.

Against this background, the *report turns to the impact of* the reform programmes adopted by 32 African countries which include substantial devaluations.

Drawing general conclusions about the benefits derived from adjustment policies is difficult, acknowledges the report. Nonetheless, "evidence suggests that reforms and economic adjustment generally have led to better economic performance in the region."

Countries implementing the new policies enjoy one clear advanatage: "Multilateral and bilateral donors have gradually but significantly shifted their aid flows to give greater support to countries with strong, sustained adjustment programmes, while aid to non-reforming countries has begun to decline."

The report compares the performance of the two groups in several key areas:

- *Despite their larger devaluations*, inflation rates are now lower in reforming countries than in the first half of the 1980s.
- Governments in reforming countries have substantially reduced their fiscal deficits.
- Agricultural price policy has become more *favourable to* farmers in reforming countries.
- Decline in investment was almost arrested, compared withcontinuing decline.
- *Domestic* savings rates have improved.
- Agricultural production, exports and GDP have all improved. Agricultural production more than doubled between 1980-84 and 1985-87, compared with stagnation in the other category.
- *Food production* grew twice as fast in countries that have either recently liberalised food marketing or did not enforce controls.
- Average annual export growth rose 5 to 6 per cent from the early 1980s to 1985-87, about double the rate of non-*reforming countries*.
- Excluding countries faced by strong external shocks – notably the oil producers – GDP growth rose from just over 1 per cent during 1980-84 to almost 4 per cent on average in 1986 and 1987. The other group increased only a third as much in 1986 and 1987.
- Real consumption increased on average *faster* than the population in reforming countries in 1986 and 1987, reversing the decline of 1980-84. It continues to decline elsewhere.

"Where African governments implement reforms and donors provide additional resources," *the report concludes*, "economic performance can, on average, be improved."

Africa's Adjustment and Growth in the 1980s. A joint World Bank-UNDP publication. The World Bank, 1818 H Street, NW, Washington, DC 20433, USA.

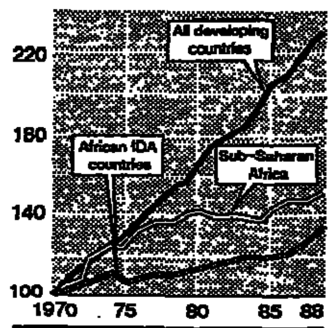
ECONOMIC REFORMS AND SUB-SAHARAN AFRICA

		ALL COUNTRIES		COUNTRIES NOT AFFECTED BY STRONG SHOCKS	
Indicator	Period	With strong reform programmes	With weak or no reform programmes	With strong reform programmes	With weak or no reform programmes
Growth of GDP (constant	1980-84	1.4	1.5	1.2	0.7
1980 prices)	1985-87	2.8	2.7	3.8	1.5
Agricultural production	1980-84	1.1	1.3	1.4	1.8
	1985-87	2.6	1.5	3.4	2.6
Growth of export volume	1980-84	-1.3	-3.1	-0.7	-5.7
	1985-87	4.2	0.2	4.9	-3.3
Growth of import volume	1985-87	1.7	-2.7	6.1	-4.0
excluding oil exports		4.8			
Growth of real domestic	1980-84	-8.1	-3.7	-3.5	-7.0
investment	1985-87	-0.9	-7.0	1.9	-4.8
Gross domestic savings	1982-84	9.9	2.3	7.8	0.9
(percentage of GDP)	1986-87	10.7	6.0	10.7	5.6
Growth of per capita	1980-84	-2.3	-1.1	-2.4	-1.5
consumption (real)	1985-87	-0.4	-0.5	0.7	-0.9

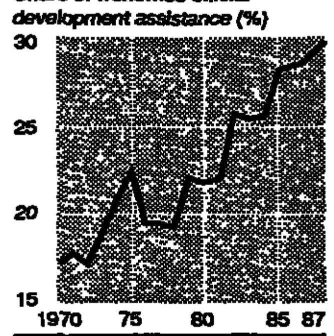
Countries with strong reform programmes: Burundi*, Central African Republic, People's Republic of Congo*, Ivory Coast, Gambia, Ghana, Guinea, Guinea-Bissau, Kenya, Madagascar, Malawi*, Mauritania, Mauritius, Niger*, Nigeria*, Senegal, Tanzania, Togo and Zaire.
Countries with weak or no reform programmes: Benin, Bourkina Faso*, Equitorial Guinea, Ethiopia*, Liberia, Mali, Sierra Leone, Somalia, Sudan*, Zambia and Zimbabwe*.
*Countries affected by an external shock

Source: World Bank/UNDP

GDP



Sub-Saharan Africa



Iran presses for Islamic offensive against the West

By **Tony Walker** in Cairo

IRAN IS pressing for a united Moslem offensive against the West after its cutting of ties with Britain, with Tehran's largest selling newspaper advocating breaking off relations with West Germany.

The campaign is part of a wider diplomatic offensive to emphasise its custodianship of pure Islamic values, according to observers in Middle East capitals. The Iranian Foreign Ministry had said on Tuesday that it considered itself "not just the executor of the foreign policy of Iran. Rather. . . it *sees itself as the executor* and protector of the foreign policy of Islam against infidelity. . . ."

It was against this background that the Kayhan newspaper, Tehran's largest selling daily, called this week for an end to relations with West Germany. It said "the audacious German insults to holy Islam. . . must not be left unanswered. . . this will be an experience in what they say *and do*".

While most of Tehran's fury has been directed at Britain, home of Salman Rushdie, author of The Satanic Verses condemned to death by Ayatollah Khomeini, there are now signs that attention is being turned to other European *nations* who have taken diplomatic action in support of the UK.

Bonn, for example, suspended talks on a new loan for Iran following the "death sentence" on Mr Rushdie, said publication of The Satanic Verses, which has outraged *Moslems* because of its portrayal of the Prophet as a figure of earthly frailties, showed that the West was aligned against Islam.

"The Germans, who were famous for being the only link with the Islamic Republic of Iran in the most critical situations in the West's relations with the Islamic revolution, have overtaken others in declaring their hostility," Kayhan said. *The Iranian Foreign* Ministry statement warned that Iran "tolerates no insult and conspiracy against Islam from any country and considers respect for Islamic sanctities as part of the principle of mutual respect in the framework of its relations with foreign countries".

Tehran, which had seemed intent on reducing its international isolation following last year's ceasefire in the Gulf war, *has sent envoys to Arab* states in an effort to mobilise support for its stand over the Rushdie affair.

Mr Sadeq Khalkali, Iran's religious judge, on a visit to Libya at the weekend elicited the backing of Colonel Muammer Gadaffi, the Libyan leader. Irna, the Iranian official newsagency, quoted Col Gadaffi as saying that *Mr Rushdie had* "committed an unpardonable crime". Irna said Libya's leader praised Iran's stand, and *said if* Moslems were united "global arrogance would not dare to blaspheme Islamic sanctities the way the apostate (Salman Rushdie) had the audacity to write".

Iranian envoys have also been active in the Gulf, arguing for co-ordinated Islamic action on the Rushdie affair.

Arab states have criticised and banned the book, but have not threatened diplomatic reprisals. The low-key Arab response stands in marked contrast to the near-hysterical reaction in Iran.

Mubarak asks Europe for backing

By **Tony Walker** in Cairo

PRESIDENT Hosni Mubarak of Egypt arrives in Brussels today at the start of a three-nation tour during which he will seek European support for his country's continued difficult *negotiations with the* International Monetary Fund.

Mr Mubarak will also ask the Europeans – he is due to visit the Netherlands and West Germany in the next few days – to exert added pressure on the US to accelerate its formulation of a new Middle East *peace strategy. Egyptian officials* make no secret of their unhappiness at slow progress in Washington. Mr Mubarak is planning to visit Washington next month as part of an Arab peace drive.

Bhopal victims go on rampage

One hundred victims of the 1984 Bhopal gas disaster stormed Union Carbide offices in the Indian capital yesterday, destroying the reception area and painting slogans on the walls, witnesses said, Reuter writes from New Delhi. The demonstrators came to Delhi with nearly 2,000 other victims to protest outside the *Supreme Court as it started* hearing an appeal against last month's $470m settlement against Union Carbide.

Angola set to hold regional summit

Angola is ready to hold a regional summit to help end its 13-year civil war, the official news agency Angop said in an editorial yesterday, Reuter writes from Lisbon.

"The Angolan Government is willing to organise a summit of all the neighbouring countries to help achieve a genuine peace," Angop said, hinting that hinted South Africa would be invited.

Three Gorges dam approved

A panel of more than 500 experts has approved China's giant Three Gorges Dam after a 32-month study, Reuter reports from Peking. The plan has now gone to the top leadership for approval. Building the 185 metre dam would take 18 years. It would require an investment of Yuan 36.11bn (£5.6bn) at 1986 prices and the resettlement of 1.13m people.

Refugee conference

International talks on the problem of 300,000 Indo-Chi*nese refugees failed to resolve* the issue of forced repatriation yesterday delegates said, Reuter writes from Kuala Lumpur. But agreement was reached on screening refugees to separate genuine ones from so-called economic migrants, they said.

Israelis stage trial of strength with UN forces

By **Andrew Whitley** in Jerusalem

ISRAELI troops in southern Lebanon have staged a trial of strength with Norwegian United Nations peacekeeping forces.

For nearly 24 hours, the Israeli army closed off all roads into its self-declared "security zone", effectively blockading the multinational forces in their separate sectors, and cutting them off from their coastal headquarters at Naqoura.

Underlining the gravity of the confrontation, yesterday morning Mr Yitzhak Rabin, the Defence Minister, unexpectedly flew in by helicopter to the region, and the blockade was lifted 15 hours after it began. But he said Israel would not allow United Nations troops to *restrict its freedom of movement* in Lebanon.

"They have learned a lesson that they cannot interfere with any movement of the Israeli Army, wherever they move," said Mr Rabin, in a truculent assertion which appears bound *to provoke further friction*.

A cardinal principle of the Unifil force, first deployed in 1978, is that it, too, should have freedom of movement. Earlier in the day, Mr Johan Joergen Holst, the Norwegian Defence Minister, had raised the temperature by criticizing the Jew*ish state for putting itself* above the UN. "The episode shows a regrettable lack of respect for the UN on Israel's part," he said in Oslo.

Tension has built up for weeks between the 600-man Norwegian battalion, deployed in the troubled eastern sector *of southern Lebanon, and the* Israelis. Most border infiltrations by Palestinian guerrillas come through its hills.

Britons told to quit Lebanon after new Rushdie threats

By **Our Foreign Staff**

BRITAIN yesterday urged British citizens to leave Lebanon, and a Beirut-based group threatened to kill Salman Rushdie, the novelist at the centre of the growing row between the UK and Iran.

The Foreign Office warned 150 Britons living in Lebanon to leave immediately. It said they are under "increased threat" following Iran's severing of diplomatic relations with Britain on Tuesday over Mr Rushdie's novel The Satanic Verses. Yesterday, Sir Geoffrey Howe, British Foreign Scretary, expelled an unspecified number of Iranians "on security grounds" because of Iran's death sentence against Mr Rushdie.

The break in Iranian-British relations raised new fears of kidnapping attacks on Britons in Lebanon.

Three Britons are among 17 Westerners missing and believed kidnapped in Lebanon. Most are thought held by the pro-Iranian Hizbollah (Party of God) militia, which has also vowed to kill Mr Rushdie. Hizbollah has denied involvement in kidnapping. Britain had been hoping that its relations with Iran, which were improving until the Rushdie affair, would help it win the release of the three.

Radical Lebanese Moslems holding two American hostages vowed on Wednesday to kill Mr Rushdie and any police who got in their way.

"The Revolutionary Justice Organisation. . . would be forced to attack British police stations in charge of protecting Salman Rushdie in order to reach him and execute him," said a statement by the group.

PLO spurns Bush plea over attacks on Israel

*By **Tony Walker** in Cairo and **Lamis Andoni** in Amman*

THE Palestine Liberation Organisation yesterday rejected President George Bush's call to halt attacks against Israeli military targets, saying it had not made such commitments to the US Government.

Mr Mahmoud Abbas, PLO executive committee member, said in Amman that the Organisation did not view "armed stuggle" against the Israeli army as "terrorism".

"When we denounced terrorism, we did not consider the Palestinian uprising against Israeli occupation and armed struggle against the Israeli army as terrorism," Mr Abbas, known as Abu Mazen, said.

"The PLO retains the right to fight against the Israeli army, which is killing our people, especially in South Lebanon," asserted Mr Abbas, who belongs to the mainstream Fatah faction led by Mr Arafat.

On Tuesday President Bush warned Mr Arafat to renounce military attacks against civilian and military Israeli targets, in order not to jeopardise the US-PLO dialogue, which started last December. The US President made his call following four commando attempts by left-wing Palestinian groups to infiltrate the self-proclaimed Israeli zone in South Lebanon.

The PLO has launched some half dozen raids against northern *Israel* in the past month or so. Most of these attempts to cross into Israel from south Lebanon have been carried out by guerrillas of the Marxist Democratic Front for the Liberation of Palestine, one of the PLO's *main factions*.

During the last two weeks, *leaders of the PFLP and the* DFLP, have declared that they were continuing attacks against Israel and would not abide by any commitments made by Arafat to the Americans. "We have not made any such commitments to halt the armed struggle to the Americans," Mr Abbas said, expressing astonishment at the left-wing faction's reaction.

Mr Nayef Hawatmeh, the DFLP leader, has vowed to continue these guerrilla operations in spite of Mr Arafat's renunci*ation of terrorism*. "We are not committed to his stand," Mr Hawatmeh, a member of thePLO's ruling Executive Committee, said last week.

The attacks are putting under serious strain a fragile dialogue begun last December between the PLO and the US. Mr Charles Redman, the State Department spokesman, late last week issued a sharp rebuke after two attempted *Palestinian guerrilla* incursions. Mr Redman said these episodes raised questions "regarding commitments taken in the name of the PLO".

A PLO statement, issued in Tunis last week questioned US impartiality in demanding an end to attempts to attack Israeli military targets while Israel was bombing villages and refugee camps in Lebanon. The statement said the PLO was striving for a comprehensive peace in the region.

The PLO infiltration attempts are also causing concern among moderate Arab states such as Egypt that have worked *hard to encourage PLO* moderation. Egyptian officials *have expressed their worries to* Mr Arafat, the PLO chairman, pointing out that deaths of *Israeli civilians in a guerrilla* attack would put the US under extreme pressure to cease its discussions with the PLO.

The PLO leader is understood, however, to have informed the Egyptians that it would be difficult for him to condemn the raids except at the risk of causing a rupture among his organisation's disparate factions.

Compromise sought to let Botha see out his term

By **Anthony Robinson** in Johannesburg

MR F.W. de Klerk, the recently appointed leader of South Africa's ruling National Party, has been involved in last-minute negotiations on a compromise which would give him sufficient powers to run the country while letting President P.W. Botha see out his term as titular President.

A key role in the negotiations is being played by Mr Piet Cillie, old-time nationalist leader and former chairman of *Nasionale Pers, the main Afri*kaans media corporation and the chairman of Federale Volksbelegings, a big Afrikaner finance house. Both men are old friends of the President who fear that he will damage his own reputation and weaken the party if he continues to cling to power. The Afrikaans press has been outspoken in its appeals to Mr Botha to resign with dignity.

Senior party officials said last night that if such an agreement could be reached Mr de Klerk is expected to present it for ratification at today's National Party caucus meeting.

All this week Mr de Klerk has appealed for the party to *stay calm and seek a reason*able solution to the constitutional and political impasse resulting from Mr Botha's announcement last week that he intended to return to his full presidential role after the Easter recess.

Khartoum accused of obstructing aid effort

By **Julian Ozanne** in Khartoum

WESTERN donors meeting in Khartoum at a UN-sponsored conference on emergency relief operations in Sudan's war-ravaged south levelled sharp criticism at the *Government* yesterday. They accused it of bureaucratic obstruction of relief efforts and threatened to cut off non-humanitarian aid.

Mr Francis Miles Filleul, Canada's ambassador-designate, said the situation of human devastation was "not *the result of any natural disas*ter but of the determination of the parties in the on-going civil war to pursue their military and political ends whatever the cost to the civilian population."

Mr Filleul said: "In the absence of a peace *settlement* and national reconciliation we will consider seriously whether continuing assistance of other than a purely humanitarian nature can be *justified*."

The conference, attended by Japan, the UK, the US and other nations and non-governmental *organisations, wants a* month of quiet in the south from April 1 – before onset of rains – so food can be taken to 2.2m people at risk.

Mr Sadiq al-Mahdi, the Prime Minister, said he would accept the month of tranquillity. But with a three-week political *crisis* there is doubt whether the conference can come up with any conclusive or binding agreement.

Recruit scandal claims two more victims

By Stefan Wagstyl in Tokyo

TWO MORE arrests were made yesterday in the Recruit financial scandal, which has gripped Japan since last summer, taking the total tally to 12 and increasing concern about the impact of the affair on Japanese public life.

Public prosecutors arrested Mr Takashi Kato, a retired senior civil servant, and Mr Masao Tatsumi, a former director of Recruit, the company at the centre of the affair.

Mr Kato, a former vice-minister at the Ministry of Labour, is suspected of taking bribes in return for dropping plans to tighten laws on recruitment advertising, the core of Recruit's activities. Mr Tatsumi is accused of offering Mr Kato bribes in 1986 in the form of cut-price stock in Recruit Cosmos, a property subsidiary of Recruit. Mr Kato made a profit of Y7m (£31,674) when he sold the shares.

The two arrests follow others in the last few days, including that of Dr Hisashi Shinto, the former chairman of Nippon Telegraph & Telephone, Japan's largest company.

The spate of arrests of businessmen and bureaucrats has increased the pressure on Mr Noboru Takeshita, the Prime Minister, to make sure that politicians implicated in the affair are also forced to explain themselves. Chief among them is Mr Yasuhiro Nakasone, the former prime minister.

The scandal concerns the distribution by Recruit of shares on favourable terms to about 160 leading businessmen, bureaucrats and politicians. The company's links with the Labour Ministry has been one key area of investigation. Others are its contacts with the Education Ministry and NTT.

In investigating the Labour Ministry, the public prosecutor discovered that during 1984 officials prepared plans for laws to control recruitment advertising, to outlaw the placing of misleading advertisements. But the employment security bureau dropped the proposals late in the year, to the surprise of some of its staff. The bureau head was then Mr Kato, who at first denied that he had had anything to do with the planned laws. The blame fell on Mr Shigeru Kano, a division head in the bureau, who was accused of being wined and dined by Recruit to the tune of Y1.3m.

Last month he was arrested on suspicion of bribery. But further evidence emerged against Mr Kato, who in addition to receiving 3,000 Recruit Cosmos shares, was also allegedly entertained at Recruit's expense.

The prosecutor says there was a special department at Recruit for co-ordinating favours for Labour Ministry officials, which was headed by Mr Tatsumi. It had a budget of some Y30m, spent, say the prosecutors not just on Mr Kato and Mr Kano but on others as well.

China determined to keep its iron grip on Tibet

Colina MacDougall reports on Tibetan fears after foreign witnesses have been forced to leave Lhasa

TOMORROW Tibetans will mark the anniversary of the uprising in Lhasa against Chinese occupation in 1959 which ended with the young Dalai Lama fleeing over the mountains with thousands of his followers to India.

Many thousands more were killed by Chinese troops and Buddhist monuments destroyed in what was just a foretaste of horrors to come in China's devastating Cultural Revolution of the 1960s and 1970s.

But the anniversary is unlikely to be marked by more demonstrations. Though Tibetans say they are not afraid to die, following three days of rioting earlier this week, the narrow streets of the capital are now thickly patrolled by Chinese troops and police. Under the martial law proclaimed yesterday by Peking's ruling State Council, foreigners may not enter cordoned-off areas and all (150-odd) were told to leave by tomorrow.

The death roll in all the recent protests has been unnecessarily high. "A lot of people were killed (in the rioting this week) who shouldn't have got killed," said an American visitor yesterday on the phone from Lhasa.

"One girl was killed in her own home making tea. The police were inept, bungling and brutal."

Demonstrators carrying the Tibetan flag and pictures of the Dalai Lama march in Lhasa on Monday.

The latest trouble began on Sunday when police opened fire, killing at least 11, on a group of monks shouting pro-independence slogans and unfurling banners outside the Jokhang, Lhasa's splendid gold-roof shrine. A full-scale riot followed as Tibetans ransacked Chinese property. China's official news agency, Xinhua, claimed the Tibetans were armed, but foreign eyewitnesses deny that.

Demonstrations continued on Monday, and the police held off until evening when Tibetans say many people were picked up from their homes by police. Trouble began again on Tuesday, but armed police dispersed the crowds with an unknown number of casualties.

With foreigners expelled from the city, Tibetans fear that those the Chinese consider troublemakers will either be executed or dumped in Tibet's unpleasant jails, where they could face regular beatings and a slender diet of barley and water. Amnesty International records this as standard Chinese practice following previous demonstrations.

A witch-hunt has already begun among Tibetans who work in the Chinese-run administration, of whom there are many, at least in junior posts. "Every party member and cadre must . . . stand the severe test in the current struggle against splittism," said the Tibet Daily on Monday. "We advise people who have been fooled by the splittists to wake up to their mistakes. . . . We will severely punish those who stubbornly insist on independence for Tibet."

Clearly, the Chinese have to restore order after three days of demonstrations which led to much bloodshed (12 deaths by the Chinese count, 60 by the Tibetan, and 30-40 by doctors at Lhasa's hospitals, and more than 100 injured). Chinese were beaten up or had their businesses sacked.

Peking's leadership is currently facing serious challenges from the runaway economy, disobedient provinces and a rapidly growing swell of dissidence among intellectuals. With Zhao Ziyang, the reformist party general secretary, already under fire from hardliners alarmed by these developments, protest in Tibet is getting short shrift.

With the death of the Panchen Lama in January, the Chinese have lost their chief intermediary in dealing with Tibet. While the Panchen was always seen as a "Chinese chopstick", he nevertheless commanded respect, especially since his sufferings in the Cultural Revolution. Without him, Peking now has no figure even half-way trusted in Lhasa, and still less does it have his private channels of communicaton to the exiled Dalai.

The Chinese are in no danger of serious opposition from Tibetans, who are unarmed and peaceful by nature. They have no leader except the Dalai Lama, who preaches non-violence, and the days of CIA backing (late 1960s-early 1970s) are long gone.

The Chinese have also evolved an extremely successful network of control. Every monastery, village or band of nomads is penetrated by informers – locals over whom the authorities have a hold – and indoctrination meetings are frequent and regular. These meetings deal almost entirely with anti-independence propaganda, say foreign visitors.

While materially life is better than 10 years ago, Tibetans still seek independence even at the cost of their lives. Aware of this and dreading the bloodshed, the Dalai Lama last June proposed a settlement which would give Tibet internal autonomy under a Chinese umbrella of defence and foreign relations.

In response, the Chinese initially offered talks without pre-conditions, but, as is their usual negotiating ploy, began to set terms when it started to look as if the Dalai might accept. Thus discussions are still not really in prospect.

Though it is a fabrication to say, as they do, that Tibet has always been part of China, in periods of strength Peking has maintained a presence in Lhasa, and certainly now wants the land and raw materials Tibet can provide.

On the Tibetan side, many find the Dalai Lama's offer surrendering the idea of full independence a bitter disappointment. Young Tibetans in Lhasa and the exiled community believe that despite Buddhist non-violence they should fight.

But the practicalities of Chinese might and lack of support from near neighbours Nepal and India mean that diplomacy and pressure from the international community – if it can be prevailed on to say boo to the Chinese – may be a more realistic alternative.

India to build its own combat aircraft

By K.K. Sharma in New Delhi

INDIA has decided to go ahead with ambitious plans to build its own light combat aircraft and attempts are to be made to bring it into service with the Air Force from 1995. It has also been decided to develop a second generation of the aircraft.

Plans to develop the warplane – which will be the mainstay of the Indian Air Force – have been delayed because of design problems and difficulties in evolving an indigenous engine to power it. The aircraft is being developed by a special cell at the Government-owned Hindusthan Aeronautics in Bangalore.

Doubts about the project emerged not only because of the delays and the high costs involved but also because of an attractive Soviet offer to upgrade cheaply the Indian Air Force's present fleet of Mig-21s by incorporating in them a number of improvements.

This would make the Mig-21s – for which manufacturing facilities already exist in India – as effective as the latest of the Mig series. The Mig-21 fleet is obsolete and is being phased out. In addition to French Mirage 2000s, the Air Force is importing the latest Migs, including the Mig-29. Since the Mig-29 is expensive, the offer to modernise the Mig-21 is tempting, particularly given defence expenditure cuts in the recent budget.

It had been thought that accepting the Soviet offer would make redundant plans for India's own warplane but the Air Force has decided to go ahead whatever the decision, which is expected soon.

The Air Force is also going ahead with plans to acquire a jet trainer to replace its ageing Mig-21s and the British Hunter. The Air Force has narrowed the choice down to the British Hawke, the French Alpha and the American F-5.

Mujahideen start assault on Jalalabad

By Christina Lamb

AFGHAN Mujahideen have launched a fierce attack on Jalalabad, the country's third city, which they hope to capture and make their capital.

According to rebel headquarters in neighbouring Pakistan, Mujahideen have captured Samarkhel, a crucial garrison about 15 km south-east of the city. They are now concentrated near Jalalabad's airport where there is hand-to-hand fighting around the perimeter fence.

Mujahideen have been predicting the fall of Jalalabad since Soviet forces started withdrawing in May. On Sunday they claimed over Pakistan national television and radio that they would capture the city within a week. Since then Mujahideen forces have been massing around the city and truckloads of US supplied rockets have been brought in. The city has been under artillery fire since Tuesday.

Though the resistance claims to control 90 per cent of Afghanistan, 25 of the 31 provincial capitals are still in the hands of the Soviet-backed regime of Dr Najibullah. The Mujahideen realise they must capture Jalalabad if they are to win international recognition for their own newly created rival government which is scheduled to hold its first Cabinet meeting inside Afghanistan tomorrow. The venue has not yet been disclosed but an alliance spokesman said it will probably be near Jalalabad.

The guerrillas hope that by capturing Jalalabad and holding a Cabinet meeting inside Afghanistan, they will raise the government's credibility. Foreign ministers of Moslem countries meet in Riyadh next Monday and Pakistan's Foreign Office says recognition is impossible until the government has "demonstrated its hold on Afghan soil".

Canberra tries to talk confidence into economy

By Robin Pauley, Asia Editor

THE Australian Government yesterday kept up its campaign to talk confidence into the embattled economy with Mr Paul Keating, the Treasurer, insisting again that a dramatic tightening of fiscal and monetary policy would cause a recession.

However, the currency and equity markets remained unsettled yesterday by the state of the economy with Australian shares falling sharply as market confidence retreated further. Nervousness was exacerbated by speculation about Bond Corporation Holdings whose share price fell to its lowest point since the October 1987 share market crash before making a modest recovery.

The Government is already running a tight fiscal and monetary policy in an attempt to cool the seriously overheating economy. The boom from rapidly recovering commodity prices led to a consumer spending spree on housing and imported goods, fuelling inflation and producing a string of current account deficits.

Ministers have succeeded in talking the overvalued Australian dollar down in recent weeks and interest rates are already at a punishing 16 per cent. The Government, fearing that any further tightening will throw the economy into reverse, is now trying to play for time to allow the effects of high interest rates to feed through to cool and stabilise the situation.

Mr Keating repeated in Parliament yesterday that the Government does not plan a "scorched earth" policy, referring to calls for further measures to dampen demand for housing and imports.

Mr Keating's comments came as part of a concerted government campaign to try to talk the economy back into shape. Mr Bob Hawke, the Prime Minister, has led the initiative aimed at calming the markets and cooling the economy while telling the citizens how well-off they are, in spite of indications to the contrary, in advance of the general election expected later this year.

Britain to expel Iranians from UK and Hong Kong

By Philip Stephens, Political Editor

BRITAIN yesterday responded to Iran's decision to break diplomatic relations with an announcement that it was planning to expel on grounds of security a number of Iranian citizens from both Britain and Hong Kong.

Iran announced the break on Tuesday following the continuing row over its death threats against Mr Salman Rushdie, the British author of the book The Satanic Verses.

The implications of the escalating row will be discussed by European Community interior ministers at a meeting in Seville, Spain tomorrow. That will follow talks in Madrid yesterday and today between the political directors of the 12 member countries.

Sir Geoffrey Howe, the Foreign Secretary, told a supportive House of Commons, that a move to restablish links with Tehran would only be possible when the Iranian government accepted the normal conventions of international relations.

In the meantime Britain had decided that "on security grounds, a number of Iranians must be required to leave this country."

The Tehran Government had also been told to close down its consulate general in Hong Kong and to withdraw staff within two weeks.

Mr Douglas Hurd, the Home Secretary, is expected to announce the expulsions from this country within the next few days.

The Government yesterday gave no indication of the numbers involved in the UK, but it is understood that the initial spotlight will fall on the 10 or so Iranian citizens employed locally by the Iranian embassy in London.

Officials made it clear, however, that the activities of a wide range of Iranians are being kept under close review and the expulsions are likely to encompass other groups.

Iranians closely associated with the present regime and any involved in issuing threats may find themselves expelled.

It is thought that as Iran made the decision to formally break relations with Britain it is unlikely that the Foreign Office will press immediately for any escalation of the diplomatic sanctions against Tehran already taken by its EC partners.

The 12, however, may look closely at the possible security risk posed by Iranian nationals throughout the Community and decide to tighten control on their freedom of movement. The interior ministers announced last month that they would be reviewing the issue, leaving open the possibility of a decision at their meeting on Friday.

In Parliament, Sir Geoffrey sidestepped calls from some Members of Parliament for a total break in all relations with Iran, including trade links, commenting only that Britain stood by "to take whatever action that may be necessary in the light of events."

He said that the Government deplored Iran's decision to refuse this week Swedish consular access to Mr Geoffrey Cooper, the British businessman held in prison in Tehran. The Foreign Office would continue to press for access through the Swedish embassy.

Sir Geoffrey said that the Government's action did not imply its approval of Mr Salman Rushdie's book, The Satanic Verses, but it was determined to uphold the right to free speech.

His statement was given a walm welcome by Mr Gerald Kaufman, Labour's foreign affairs spokesman. The opposition, he said would give its full support to the Government's response to the "monstrous" death threat against Mr Rushdie.

Funding for tunnelling and political stumbling blocks put brakes on high-speed link

Chunnel rail project faces delay of four years

By Kevin Brown, Transport Correspondent

BRITISH Rail's proposed high speed railway link between London and the Channel Tunnel may not open until the year 2000 – four years later than originally planned.

BR confirmed yesterday that it has made major changes to its proposals for the high speed link in response to a massive protest campaign by Kent and London residents.

The major changes include plans to run two-thirds of the line below ground level, to restrict the maximum speed of trains to 140mph, rather than 187mph, and to site most of the rest alongside existing railway or motorway routes.

BR also announced an improved compensation package, under which it will buy the houses of up to 1,000 residents affected by the route, and will pay disturbance fees at the levels required under compulsory purchase legislation.

The changes will increase the cost of the line from £1.3bn to £1.7bn. BR said 30 per cent of the total cost of the project would go on environmental protection.

However, the extra costs have forced BR to abandon its initial assessment that the line would be viable by 1996. Mr John Welsby, BR's international director, said talks were still going with six private sector consortia in an attempt to find a workable financing scheme.

He said this could range from a wholly private sector construction project which would sell track time to BR, to a joint venture in which both parties would have an equity stake.

BR managers were admitting privately, however, that these discussions could take some time because of uncertainties about traffic forecasts, costs and revenues.

It was also being made clear that the private sector consortia may not be prepared to finance the full bill for environmental protection.

Mr Welsby said BR would have to approach the Government for cash if there was "a shortfall" in funding after consultations with the private sector.

It is not clear, however, whether Government financing would be possible, even if ministers were to reverse their present opposition to public financing. This is because the Channel Tunnel Act specifically forbids public subsidies to the fixed link project.

The project could be further delayed by growing opposition to BR's intention to use the controversial private parliamentary Bill procedure to obtain legislative authority for the link.

The earliest such a Bill could receive the Royal Assent would be summer 1991. But that would require it to be tabled on time in November, and to enjoy a smooth parliamentary passage.

BR admitted yesterday that the strength of opposition in Parliament could mean that the Bill would take three or even four years to emerge unless it is taken over by the Government.

A timetable leading to an opening in 1999 or 2000 would be in line with the experience of French and West German railways, which have both found that the construction of high-speed lines takes several years longer than anticipated.

Mr John Prescott, the Shadow Transport Secretary, claimed the revised proposals would destory the commercial viability of the project, and urged the Government to take over the project.

Mr Prescott said this would also allow time for a further consultation period, including an independent study by experts to be appointed by the Transport Department.

The revised proposals were welcomed by some critics of BR's original plans. Mr Tony Hart, leader of Kent County Council, said the changes were "a moderate triumph."

Mr Stephen Joseph, director of Transport 2000, the transport pressure group, said BR had accepted advice to site the route along existing transport corridors.

Bill set for bruising struggle through Parliament

By Charles Hodgson

IF BRITISH RAIL or the Government had entertained lingering hopes that the more "environment-friendly" route for the high-speed link would defuse opposition to the project, the reaction to yesterday's proposals must have dispelled them.

Protesters made clear that they would continue their campaign, joined by residents affected by the new route. Conservative MPs whose Kent constituencies will be crossed by the link last night signalled their intention to fight the Bill at every stage of its progress through parliament.

BR will clearly face a long, bruising battle at Westminster to push through the Bill. Many senior Conservative as well as opposition MPs feel that a privately sponsored Bill on such a controversial project is the wrong way to proceed. They predict that a private Bill could be lost as early as the second reading in the House of Commons and will in case be subject to long delays.

A parliamentary joint select committee on private Bill procedure, chaired by Mr Patrick McNair-Wilson, the Conservative MP for the New Forest, concluded last July that private Bills were not an appropriate mechanism for seeking approval where planning and environmental considerations were uppermost.

There are strong demands for a series of public inquiries along the proposed route and pressure on the Government either to sponsor the Bill as a hybrid – one which affects specific private interests but also has wide implications – or as a public Bill.

Ministers have so far sought to distance themselves from the controversial project, insisting that it is a matter for BR to seek enabling legislation through a private Bill. But given the wider public interest involved, and the increased cost of the scheme, which many MPs believe will require public backing, the Government may be forced to step in to secure the future of the link.

The Government was criticised in the Commons yesterday for not volunteering a statement on BR's plans. Mr John Prescott, the opposition Labour Party's transport spokesman, claimed that the scale of the extra expenditure envisaged meant that public investment was inevitable and this required government accountability to parliament.

Downing Street, however, firmly reiterated its insistence that no public money would be spent on the link.

The first step for BR is to draw up its Bill, seeking parliament's authorisation to undertake the necessary works. This has to be deposited with the Private Bill office by November 27. BR will then seek an MP to sponsor the Bill.

Mr McNair-Wilson, who has sponsored all BR's private Bills since 1979, has already indicated that he does not wish to handle the rail link Bill, given the environmental implications and local concerns it raises.

BR would obviously prefer to find a Kent MP to act as sponsor but it is unlikely that any local member would accept close association with a project that has aroused such fierce opposition.

Once the Bill is deposited, opponents whose property or interests are affected have until January 30 to present petitions setting out their case against the planned route.

If the private Bill procedure is followed, the proposed legislation will have a second reading on the floor of the House, giving opponents on both sides of the Commons a first opportunity to block.

Once over that hurdle, the Bill will go to a special committee of four MPs, who have to declare no personal or constituency interest in its provisions. The committee acts in a quasi-judicial capacity, taking evidence for and against the Bill advanced by the petitioners and BR.

This can be a long process – Mr McNair-Wilson has said it could take up to three years – and only when the committee is satisfied that the case for the Bill has been established is it reported back to the Commons for its further stages.

Given the level of local opposition to the link and the wide-ranging environmental issues it raises, either the government or officers of the House may decide that the Bill should be taken as a hybrid, like the 1986 Channel Tunnel Bill.

BR will obviously want to test the extent to which it can "settle" with objectors in the course of drafting its private Bill, but at this stage it appears improbable that the Government will be able to resist the pressure to step in.

Six groups bid for link

SIX GROUPS have submitted preliminary bids to build a privately financed high-speed rail link between London and the Channel tunnel. They are:

- Costain, Wimpey, Taylor Woodrow, all construction companies, and Spie Batignolles of France.
- Laing, Mowlem and Tarmac, also British construction groups, and GTM Entrepose of France.
- Trafalgar House, the construction, property, shipping and hotels group, and BICC, the engineering and construction group.
- Amec, the construction company, Davy Corporation, the engineering and construction group, Monk, the civil engineering company, and W.S Atkins, consulting engineer.
- Ove Arup, consulting engineer.
- Peninsular & Oriental Steam Navigation (P&O), the shipping and construction group, BAA, formerly British airports Authority, Trusthouse Forte, the hotels and catering group, Acer, consulting engineer, and Hambros, the merchant bank.

Swiss group's assets frozen by UK court

By Raymond Hughes, Law Courts Correspondent

THE Securities and Investment Board, the London financial watchdog, had been granted High Court orders freezing assets in the UK and Guernsey of Pantell, a Swiss group which has been offering advice to investors in the UK, and its English associate Swiss Atlantic Holdings.

The SIB was granted the orders at a private court hearing on Tuesday. Neither company was represented.

Sir Nicolas Browne-Wilkinson, the Vice-Chancellor, the senior judge of the Chancery Division, gave reasons in court for ordering the freeze.

The orders, which Pantell and Swiss Atlantic can apply to have cancelled, were made pending a court ruling on whether Pantell has been carrying on investment business in the UK in breach of the 1986 Financial Services Act.

It was the SIB's first application to the High Court for orders under section 6 of the Act, which deals with remedies available where someone has conducted investment business in the UK without authorisation under the Act.

Sir Nicolas said Pantell advertisements offering investment services to people in the UK recommended shares in a US company, Euramco, describing them as "the share of 1988" and "publicly owned and traded."

The evidence showed that a Dr Axel H.Schubert was one of Pantell's two directors.

Inquiries made by the SIB to the US Securities and Exchange Commission had disclosed that Euramco shares were not listed or traded on any stock exchange. It had also been discovered that Dr Schubert was apparently president of Euramco.

Pantell's solicitors had agreed with the SIB that the advertisements were unlawful, since Pantell was neither authorised under the Financial Services Act nor exempt from it, and had said that no more would be distributed in the UK.

Documents and records seized by the public prosecutor showed that Pantell had raised money from investors in many countries including the UK. Cheques from UK investors had been sent to a Pantell account in a London branch of Barclays Bank.

Sir Nicolas said that a press statement by the Lugano public prosecutor stated that criminal proceedings had been opened against the managers of Pantell for professional swindling and breaches of Swiss federal banking law.

The statement noted that Pantell and associated companies operating internationally had allowed many investors in Great Britain and elsewhere to buy shares in private companies at prices vastly in excess of their value.

Sir Nicolas said that Swiss Atlantic appeared to be, or have been, Euramco's parent. It was therefore at least indirectly associated with Dr Schubert.

The judge said that there was a strongly arguable case that, by sending advertisements from outside the UK to persons within the UK, Pantell and its associates were carrying on investment business in the UK in breach of the FSA.

The SIB had power under the Act to obtain a court order enabling it to secure money for distribution to people affected by Pantell's activities. A similar order could also be made against Swiss Atlantic, which had arguably been knowingly concerned in the contravention of the FSA. Sir Nicolas said that the SIB was not seeking such orders at this stage.

Peugeot workers reject pay deal

By Fiona Thompson

The 4,500 manual workers at Peugeot Talbot, the Coventry car maker, have voted to take industrial action over the company's two-year pay deal worth just under 16 per cent.

In a secret ballot, 2,407 workers, representing 54.8 per cent, voted to reject the pay offer and 1,986 workers, 45.2 per cent, voted to accept it. Ninety-two per cent of the workforce voted in the ballot.

It is understood that it was made clear on the ballot paper that a vote against the offer would be taken as a vote in favour of industrial action.

The result has surprised both the management and the unions. The workforce rejected the pay offer last month by a show of hands at mass workplace meetings, but, after a further sesion round the negotiating table, one of the two stumbling blocks, the qualifying period for attendance allowance, was eliminated.

The indications all along were that neither the money nor the two-year requirement, were major problems. However, attitudes may have hardened in the past fortnight. The Peugeot workforce will have seen their opposite numbers at fellow Coventry car maker Jaguar receive a fresh pay offer in spite of that company's claim that it had made its final offer.

Strike action would have serious implications for Peugeot. In the past 12 months the Coventry factory has taken on staff and doubed production. At present number three in Europe after Fiat and Volkswagon, Peugeot's aim is to be number one by the early 1990s. Any action could jeopardise this aim.

Brussels allocates 40% of industrial aid to UK

By David Buchan in Brussels

BRITAIN is to get nearly 40 per cent of all aid from Brussels to Community regions of industrial decline over the next three years, the European Commission said yesterday.

However, despite getting the greatest share of this type of EC aid, UK officials expressed slight disappointment that areas of urban decay in cities like London were not included on the Commission list.

They predicted that the British Government would use a review of the list by a committee of member states officials to get such areas included but the committee's opinion is only advisory not binding.

Mr Bruce Millan, the former Labour MP who became EC regional policy commissioner in January, said some 20m people lived in areas of the UK which would be covered by the regional fund, designed to help industrially declining regions, more than twice in terms of population than that of any other member state.

Mr Millan was reluctant to give cash estimates of the benefit to the UK of the Commission decision. Brussels officials said the UK share of 38.3 per cent of so-called Objective 2 (industrial decline) regional aid might work out at some Ecu200m (£130m) this year.

However they also pointed out that some Objective 2 aid (15 per cent of the total) remained to be allotted, and that Britain could expect substantial payments from the EC social fund, aimed at high-unemployment areas.

The list covers large areas of west central Scotland, north-east and north-west England and south Wales. While 38 of the UK's Urban Action Programme areas on the EC list, it also includes some areas not assisted by the UK Government such as parts of the Midlands.

UK NEWS

MPs 'appalled' by system for toxic waste disposal

By John Hunt, Environment Correspondent

A TOUGHER system of controlling the dumping of toxic waste and the eventual establishment of a National Environment Protection Agency are proposed by the Commons Environment Committee in a report which is scathingly critical of Government policy.

After a long investigation into toxic waste, the all-party committee said: "Never have we experienced such consistent and universal criticism of existing legislation and of central and local government."

It accuses the Department of the Environment of failing to provide the leadership and commitment to provide adequate protection against envirometal dangers.

Sir Hugh Rossi, the Conservative MP who is chairman of the committee, said yesterday it was "little short of a miracle" that there had been no disaster from the escape of poisons into the water supply from toxic waste or from explosions from the build up of methane gas on waste sites.

There was particular concern that planning permission is frequently given for building on abandoned dumps. Sir Hugh said that in some areas there was virtually no control over what went into landfill sites. "Nobody knows what is in there. God knows what kind of time bomb we are sitting on."

He said that the Department of the Environment was responsible for the "appalling system" of waste disposal and for allowing the situation to persist.

Although Sir Hugh, a former junior Environment Minister, blamed the situation on successive Labour and Conservative governments, the report comes as an embarrassment to Mr Nicholas Ridley, the Environment Secretary.


Sir Hugh Rossi – critical

Mr Ridley said last night that many of the recommendations were in line with the Government's proposals for comprehensive reform of waste disposal. Consultations on these were now ending and legislation would be introduced as early as possible. But the proposal for a National Environment Protection Agency raised greater constitutional questions.

The report proposes that a "duty of care" should be placed on shipowners and captains to provide a detailed and accurate manifest of the wastes they are carrying to the UK. They could be sued and face heavy damages if they misrepresented the cargo.

In a consultation document the Government has already proposed power to prohibit, restrict and control waste imports and exports, but this has not been implemented yet.

Lack of resources and understaffing leading to lack of morale at the pollution inspectorate is heavily criticised. The committee wants the inspectorate placed on an agency basis to give it some autonomy from the DoE and to have its own chief executive who would be an inspector rather than an administrator. It proposes that the present 79 waste disposal authorities (WDAs) in England and those based on district councils in Wales should be abolished. They have been consistently criticised for poor performance in enforcing waste regulations and for having a "poacher and gamekeeper" role in running some sites themselves.

Initially, they should be replaced by 10 new regional waste regulation authorities in England and Wales formed from elected councillors. There should also be a national regulatory body responsible for a integrated pollution control of all aspects of pollution to air, water and land.

This would evolve into a full-blown Environment Protection Agency which would be separate from the Department of the Environment but answerable to the Environment Secretary.

The executive arm of the agency would be the present pollution inspectorate which, says Sir Hugh, "is the only public body which comes out of this inquiry with any credit."

(Toxic Waste, Environment Committee, Second Report, HMSO, £10.50)

No surprises expected to enliven budget

Simon Holberton finds few prospects for chair-gripping changes next Tuesday

MR RICHARD Jeffrey, economist at Hoare Govett, speaks for many practitioners of the dismal science of economic forecasting in the City of London: "It promises to be a very downbeat affair: the budget that never was." Less than a week before Mr Nigel Lawson, the Chancellor of the Exchequer, stands at the dispatch box to deliver his sixth budget, City economists can barely suppress a yawn at the prospect.

"Dull" and "boring" are the adjectives most used by analysts to describe next Tuesday's budget. With few leaks to enliven speculation, the received wisdom has it that the state of the economy will not permit the Chancellor to do much, despite a huge budget surplus.

"It will be a low-key, risk-averse affair. It's head down time, although Mr Lawson is not good at being a head-down Chancellor," says Mr Gavyn Davies, chief UK economist with Goldman Sachs, the US securities house.

Although the overall assessment is depressingly uniform, the City has split into two unequal schools of thought, in terms of adherents, concerning what Mr Lawson will do in his budget.

Most see the Chancellor resisting, reluctantly, the temptation to do much by way of tax cutting. Of these, some see no cut in the basic rate of tax; others see a 1p cut at most. All agree that he is most likely to over-index tax thresholds and allowances as a boost to the low paid specifically and the middle income-earners generally.

A minority, however, think Mr Lawson might attempt another bold move on the fiscal front while at the same time keeping monetary policy tight. "The Chancellor may surprise the markets by announcing tax reductions of up to £5bn yet forecast a budget surplus of £12bn," says Mr Malcolm Roberts, economist at Salomon Brothers, the US securities house.

Mr Lawson and his senior advisers at the Treasury are fond of emphasising that budgetary and tax policy is medium-term. Taxes are not adjusted for purposes of "fine tuning" the economy but to improve incentives to work harder, they say.

There is general agreement among the two camps about interest rates: the 1989 budget will be the first this decade not to be followed by an officially-guided cut in bank base lending rates.

The Treasury has, in the past, liked to see a post-budget cut in interest rates; it was one way they could claim financial market endorsement for the budget's strategy. This year, the need to maintain a strong exchange rate, to buttress the fight against resurgent inflation, argues against such a cut in interest rates.

"I rather doubt if he'll risk a cut interest rates," says Mr Ian Harwood, economist at Warburg Securities. Mr Bill Martin, economist with brokers UBS Phillips & Drew agrees: "The budget is a sideshow to what happens to sterling. The question is do they raise interest rates to defend sterling or not when it comes under selling pressure."

Most analysts have constructed cautious packages of adjustments to tax rates and benefits which produce, on average, a net tax cut of anywhere from £1.5bn to a little more than £2bn in the first year. . . a fairly modest affair given last year's £4bn cut in taxes. The options include:

- Over indexation of allowances and tax thresholds. By law, Mr Lawson is encouraged to raise the main personal allowances (single, married and age allowances) by the equivalent of the rise in the retail prices index during the previous calendar year.

In the year to December 1988, the RPI rose by 6.8 per cent. Each 1 percentage point increase in allowances and tax thresholds above the required amount will cost the Exchequer about £205m in 1989-90. Double indexation of allowances would cost nearly £1.4bn.

- Reform of National Insurance contributions. If Mr Lawson wants to present a "budget for the low paid", and so redress criticism that last year's budget was for the rich, he could attempt a modest reform of these contributions.

Mr Davies believes Mr Lawson might adopt a suggestion of the Institute of Fiscal Studies and convert the £41 threshold at which NICs become payable into an allowance. The full-year cost of this would be £1¼bn.

Mr Stephen Hannah, economist at NatWest Capital Markets, thinks he will be less ambitious and just raise the threshold at which NI operates. The beneficiaries will be part time and younger workers but, perversely, it will raise more revenue.

- Make further cuts to the basic rate of tax. "He'll cut the basic rate to convey a sense that the economy is on track," says Mr Martin. A cut of 1p off the basic rate would cost £1.4bn this year and, while quite affordable, it is not a policy move which would find universal appeal in the City.

In today's jargon, the risks are seen as being "asymmetrical." If Mr Lawson is too tight now he can loosen up with lower interest rates later and not damage the economy. If, however, he is too generous on Tuesday he may well have to raise interest rates much higher than they currently are and risk a possible recession.

Black & Decker in pricing row

By Christopher Parkes, Consumer Industries Editor

BLACK & DECKER, the power tool maker, has refused to bow to a ruling from the Office of Fair Trading that the company's policy of cutting off supplies to retailers which sell its products at reduced prices is anti-competitive.

The issue is now likely to be taken up by the Monopolies and Mergers Commission, which will judge whether Black & Decker's long-established practice is against the public interest.

Had the company undertaken to scrap its policy, the matter would have been closed, and not referred to the Monopolies Commission.

The Office gave its ruling on a sample charge, brought by Woolworth Holdings, parent of B&Q, Britain's largest do-it-yourself retailer. Black & Decker had threatened to stop supplies of Workmate benches offered at promotional prices, and of heat guns, which, it claimed, were being sold as "loss-leaders" for £17.95, compared with the £19.95 manufacturer's recommended price.

Retailers have been at odds for years with their biggest supplier of power tools. They said yesterday that there had been a noticeable "softening" of Black & Decker's policy during the investigation.

The OFT discovered that eight retailers had either been threatened or had supplies cut. The most significant, according to Black & Decker, concerned the Argos catalogue shop chain, owned by BAT Industries. Black & Decker withheld supplies and only started shipping to Argos again when the prices were raised in May.

The OFT said that while it was permissible under the Resale Prices Act for a manufacturer to refuse to supply a retailer which sold its products as loss leaders, this could be anti-competitive under the Competition Act when applied by a company with Black & Decker's market power.

Last year the US-based group accounted for a 66 per cent share of the £114m British market for do-it-yourself power tools and workbenches.

It said in a statement yesterday that it would welcome an opportunity to demonstrate to the comission that its policy worked in the interests of the consumer. It argued that widespread price-cutting among the dominant multiple chains would drive smaller retailers out of the power tool business, reduce the number of service and repair points, and ultimately lead to higher prices. Only the major retailers could afford to run loss leader offers.

However, the Office did not accept that competition was increased by having a larger number of retailers stocking Black & Decker products "when those retailers are not free to compete on price."

It also concluded that the effect of the policy was that average prices of the products were higher than they would be otherwise.

US bank releases $77m Libyan funds

By Raymond Hughes, Law Courts Correspondent

MANUFACTURERS Hanover Trust has released nearly $77m of Libyan funds which had been frozen for two years by former US President Reagan's anti-terrorist sanctions against Libya.

The release of the funds was authorised by the US Treasury after a High Court ruling last month in favour of Libyan Arab Foreign Bank, which is owned by the Libyan central bank.

The court rejected MHT's argument that it could not comply with the Libyan demand for the funds without breaching the presidential sanctions and laying itself open to criminal proceedings in the US.

Libyan Arab Foreign Bank had claimed two amounts: $41.3m frozen in MHT's London branch and $35.6m which the Libyans claimed had effectively been transferred from New York to the London account hours before the president's sanctions order.

MHT claimed that there had been no effective transfer of the second sum.

This represents the third time the US Treasury has allowed an American bank to release frozen Libyan funds after legal proceedings in Britain.

In October 1987, Bankers Trust was authorised to pay $292m plus interest to Libyan Arab Foreign Bank after a High Court decision in the Libyans' favour.

Last November, MHT was licensed to pay over $18.45m to Umma Bank, another subsidiary of the Libyan central bank, shortly before the matter had been due to come to the High Court.

Linde to appeal verdict on Lansing

By Andrew Fisher in Frankfurt

LINDE, the West German industrial group, said it would appeal the decision of the country's Federal Cartel Office to grant only partial approval of its takeover of Lansing Bagnall, the UK's largest fork lift truck maker.

The cartel office yesterday confirmed it was disallowing the West German part of the takeover, restricting the deal to Lansing's French and UK activities. It had already indicated in January that it would exclude Linde GmbH in Germany, which has a turnover of DM100m (£31m), from the deal.

Linde, activities of which include industrial gases and industrial plant, said it would appeal in the Berlin courts. It said the cartel office had taken too narrow a market view.

The cartel office argued that Linde had a leading position in the West German fork lift truck market, with more than 50 per cent. Lansing GmbH's share was less than 2 per cent but would still add to the dominant share of Linde. This was aided by a voluntary sales limitation agreement between the European and Japanese industry associations.

Alastair Muir

Maggie Steed and Joely Richardson

Steel Magnolias

LYRIC THEATRE

Good acting, funny lines, shame about the play. Robert Harling's *Steel Magnolias* is an off-Broadway hit that has bypassed Broadway and surfaced with an all-British cast on Shaftesbury Avenue, directed by Julia McKenzie, who was responsible for the last attack of palatable locker-room feminism to tickle the West End, *Stepping Out.*

In that last play, the girls got to dance in a draughty night school. Here they turn up to Truvy's Beauty Spot, a parlour in downtown suburban Louisiana, to have their nails painted and their hair ruched. "No such thing as natural beauty", drawls the proprietress, while a client cheerfully remarks apropos of a nice scarf, that it is only our ability to accessorise that separates us from animals.

The lurking dramatic metaphor here is one of titivation as a complement to, even substitute for, parturition. But the weakness of the play is that everyone seems to be conveniently on hand when anything happens. The life of the parlour is deadly and circumscribed. Which may be the point, but the price is theatrical inertia. You feel you are sitting in a television studio.

Slight personality tensions are developed between Truvy, played by the imperious, crane-like Maggie Steed, and the new assistant Annelle, the scatterbrained jackdaw Janine Duvitski; and between the former first lady and football hearty Clairee, whom Stephanie Cole constructs with deft flourishes, and the screeching sloppy dog-lover Miss Ouiser, Jean Boht firing on all, but not quite sufficient, guns.

With Miss Steed gaining effortless ascendency through her superior hand of interchangeable quips – "Time marches on and eventually it marches across your face" – is a peach, the action finally coheres, sort of, around the central mother and daughter relationship of M'Lynn and Shelby. As a diabetic, Shelby has been warned off having children. By the second act she has had a child but is on dialysis. M'Lynn donates a kidney. The rest is both silence and very, very predictable.

The emotional screws are turned and people all around me last night were sniffing into their Kleenex. This was mostly to do with the wispily tremulous quality of Rosemary Harris as M'Lynn. Miss Harris bides her time for two hours, then starts to act. She never seems to relate to anyone else on stage, but makes a big deal of claiming membership when the scene comes.

I much preferred the feisty mood-switching display of Joely Richardson as her daughter. This young actress, an expressive gazelle from the Redgrave deerpark, has a direct line to collective heart and instinct, always a sure sign. She is wonderful. I am fascinated, though less so than when there was evil added in Peter Greenaway's *Drowning By Numbers*, or incipient breakdown in the current *Behaving Badly* on Channel Four.

Miss Ouiser signs cheques for the local cultural bashes: "I'll support art, I just don't wanna see it", a line that struck a big nerve. But this is essentially a play about hairdressers, for hairdressers, that would not look out of place at the Bush Theatre if anything more pertinent and brisk was not forthcoming from Beth Henley or James McLure

Michael Coveney

CINEMA

The joy of seduction

DANGEROUS LIAISONS
Stephen Frears

THE MODERNS
Alan Rudolph

THE LAIR OF THE WHITE WORM
Ken Russell

CRAZY LOVE
Dominique Deruddere

FIVE CORNERS
Tony Bill

The following things can be instant death in the cinema: periwigs, pompadours and plotlines propelled more by conversations or the exchange of letters than by what the film world might call "action."

Dangerous Liaisons, directed by Stephen Frears and scripted by Christopher Hampton from his stage play of Choderlos de Laclos's 1782 novel, is a triumph. It should not work but it does. Without "updating" Laclos's story, Frears and Hampton have dragged it firmly into the 20th century. The author's icy sexual strategists, the Marquise de Merteuil and Vicomte de Valmont (Glenn Close and John Malkovich), have been re-minted them as modern neurotics. Or even psychotics.

The film is at once febrile and formalised: the plotters' high excitement at the evil they do masked by a sumptuous epigrammatic detachment. In a wordless prologue Merteuil and Valmont, ex-lovers now united only by a joy in seducing innocence, dress, rouge and powder themselves for the fray. Thereafter vitality and formality, mask and emotion, perform a mesmeric dance for two hours.

Two hundred years after the book's creation, Laclos's erotic wit still shocks us into nervous laughter. When the vengeful Marquise de Merteuil proposes that Valmont deflower the virginal Cecile, Valmont refuses on the grounds that it would be "too easy." The greater challenge is to seduce the maturer, married Mme de Tourvel (Michelle Pfeiffer): a vessel of honour whose eyes swim with virtue, whose skin is translucent as holy water. (Pfeiffer's superb performance makes goodness seem as queasily fascinating as evil.) This seduction opens the trapdoor to passion and to the whirrings of tragedy.

Director Frears, who delights in plots at once deadpan and pizzicato *(My Beautiful Laundrette, The Hit)*, has encouraged Hampton to slice the play's 18 scenes into 200-odd for the film. Result: the images are as swift and capricious as the characters' thoughts. When Valmont or Merteuil recounts a story or hatches a scheme, we cut away from the drawing-room to glimpse the people they talk about at work, at play or at bed. When letter-writing – that most unfilmic of motifs – becomes integral to the plot, Frears animates and eroticises even this. Letters are penned in the crumpled ocean of a post-coital bed, a lover's naked back used as writing-desk.

The greatest marvel is that Frears has used American actors for his high-style French aristocrats instead of the (expected) dulcet Britons. The casting refreshes parts of the costume genre usually never reached: it creates a world of sleek, long-vowelled intrigue which fuses yesterday's Old World periphrases with today's New World social doublespeak.

The performances crown the film's achievement. Glenn Close's Merteuil is a human vanity pack: a ladylike avenger bloated with bland airs and graces, with a smile like a kitchen knife. Even better is John Malkovich's Valmont, a mutant smoothie at once repellent and hypnotic. With his long face, feline lashes and pursed mouth Malkovich is Tenniel's Cheshire Cat seen in a distorting mirror. As Valmont he tends his cruelties and lisping epigrams like prize blooms. And when his poise falters, when passion briefly, fatally usurps dispassion, the effect is terrifying. It is the point when we realise that Laclos's story is not just an erotic *divertissement* for pre-revolutionary France, it a great morality tale.

★

Alan Rudolph's post-revolutionary *The Moderns* is about life in 1920s Paris among the "*Hello, Hemingway, have you met Gertrude Stein?*" set. After the Press show, surrounded by colleagues who volubly loathed a film I rather liked, I felt like a lone cannibal at a vegetarians' convention.

True, *The Moderns* has its idiocies. Much of the dialogue is by Rent-an-epigram; the plot is Casablanca Meets Moulin Rouge; and among the cast Kevin O'Connor's Hemingway stands out as a special embarrassment, delivering tipsy-macho profundities like "There are only two things that can kill a man, suicide and gonorrhea."

But there is also much snaky sophistication and a script, by Rudolph and Jon Bradshaw, that lampoons artistic pretension while never dumbly voting for philistinism.

Our hero is a young American painter in Paris (Keith Carradine) who supplements his daily crust by doubling as a newspaper caricaturist. He can also forge Cezannes and Matisses at the call of dippy socialites like Geraldine Chaplin or gallery owners like Genevieve Bujold. Who should trip into his life one day but old flame Linda Fiorentino, now married to menacing art collector John *(Last Emperor)* Lone? Before Mr C can say, "Here's looking at you, kid" to Miss F, he has run foul of Mr L and inadvertently double-crossed Geraldine C. Escape to New York begins to seem an awfully good idea. Especially since the screen is now filling up with Gertrude Stein (Elsa Raven), Alice B. Toklas (Ali Giron) and Wallace Shawn in drag.

Writer-director Rudolph *(Welcome to L.A., Choose Me)* turns a project full of period-piece pitfalls into a lightfooted art-world parable. In a designer Paris of painted backdrops and Fauvist roofscapes, his cast tangle with reality and illusion in love, art and lifestyles. While lightly bandying its profundities the film asks, Who are the true moderns? Are they the inbred aesthetes of Europe conditioned to applaud the Latest Thing? (When a furious Lone burns the suspected forgeries he has bought from Carradine, a guest comments "Another Dadaist provocation!") Or are they the New World sceptics (Carradine, Shawn, Fiorentino) ready to flee thoroughly passé Paris for thoroughly modern Manhattan? Do not feel you must know the answer: just enjoy the skill with which the film puts the question.

★

The Lair Of The White Worm is Ken Russell's contribution to Red Noses week. Or possibly Red Faces week. "Can I help you?" asks the lady with the tricorn hat and all-white Highwayman-style ensemble, who has just appeared at dead of night beside the prowling constable (Paul Brooke) who has been bitten in her grounds by a snake. Soon the lady (Amanda Donohoe) is revealed as a worm goddess local to the Derbyshire Peak District. And soon a cast of young people with bewilderingly assorted accents (Sammi Davies and Catherine Oxenbergh eeh-bah-gooming, Peter Capaldi och-ayeing and Hugh Grant oh-I-saying) are showing that in Britain class or regional differences mean nothing when it comes to joining forces to destroy unwanted worm goddesses.

Ken Russell's film, based on Bram Stoker's last story, is profoundly dotty. Somewhere around Reel 58 the cod-horror jokes, bad acting and video fantasy sequences (snakes twined round crosses, impalements, cavorting nudes etc.) begin to pall. But before then much fun may be had in the full and comforting knowledge that our Ken seems finally to be off his trolley. Either that or he has shrewdly decided that his style has nowhere to go but into self-parody.

Dominique Deruddere, the Belgian writer-director of *Crazy Love*, might have graduated from the Ken Russell School of Certifiable Excess. Based on a Charles Bukowski story, this time-hopping tale escorts the same hero (Josse de Pauw) through three decades: as a sex-discovering teenager in 1955 ("Be careful not to do it too often or you'll get a crooked back" warns his schoolmate), as an insecure adult in 1962 (with crooked back) and finally as a necrophiliac in 1976.

By this point the film has become an odd, moody mutant, like an Edgar Lustgarten crime featurette crossed with a drugged Ken Russell film. It packs a punch of sorts, but the punch seems delivered in queasy slow-motion in an underlit ring.

Five Corners, directed by Tony Bill and written by John Patrick Shanley of *Moonstruck*, has a likewise erratic punch. Teenage life in the Bronx in 1962 is a merry round of violence and truancy ("Someone murdered our teacher, so we've got the day off" says a schoolboy to his date.) But the scattergun plot and cast of characters – a psycho released from jail (John Turturro), his endangered ex-girlfriend (Jodie Foster), an aspiring civil rights worker (Todd Graf), a kidnapped penguin – mean the wheels of fate have to work overtime to grind the story into any sort of unity. In the process they also grind plausibility to powder. Strong in parts, stammering as a whole.

Nigel Andrews

Dangerous Liaisons: Glenn Close, John Malkovich and Michelle Pfeiffer

Zarzuelas

SADLER'S WELLS

For those who know Zarzuelas from recordings, the *Antologia de la Zarzuela* which opened at the Wells on Tuesday night will bring familiar musical delights and the charm of stagings that have a suitably traditional manner. For anyone unfamiliar with this Spanish combination of operetta, dance and drama, and eager for melodic felicity, the seasoning of castanets and the rattle of heels, the evening can prove rewarding, and as vivacious as one dare hope when faced with an opera chorus, a group of guitarists, a dozen dancers and a great many cheerful costumes.

The director, Jose Tamayo, has sought to show something of the history of this essentially Spanish form of music-theatre through excerpts from some of the most famous zarzuelas. Thus, after a prologue purporting to show the birth of the zarzuela in the mid 17th century, we are happily launched into scenes and arias, dances and jollifications, from a dozen of the best-known examples of the genre.

These are for the most part from the 1850s onwards: the themes range from adaptations of French *opéra comique* – there is a very pretty Bolero for two sopranos from Barbieri's *Los Diamantes de la Corona* – to the far more disturbing commentary by wounded soldiers returning to their native Zaragoza from the Cuban War in 1898. This scene hints at the roots of the zarzuela in popular reaction to events and social conditions: elsewhere, the music and dance, the sets and the production, have rather more a feeling of the *menu touristique*. What we are seeing is – as with any exotics brought to our theatre – the titbits, be they from the Ramayana or a Kabuki drama, which tickle the palate.

So this Zarzuela evening is rich in those clichés that we should expect: singing generally able, with a couple of sweet-toned tenors and a very well-drilled chorus; an alert dance troupe led by the distinguished Maria del Sol and Mario Lavega; a group of guitarists, and music that falls easily upon the ear. The Wren Orchestra under Manuel Moreno-Buendia deals idiomatically with the scores, but on the first night the balance between stage and pit was not always happy, and voices were swamped.

Zarzuela is not a theatrical form that invites the wilder excesses of producer's mania, and some of the staging is plain to a point of inanition (and in one or two places suggests nothing so much as the step-to-the-right, step-to-the-left, behaviour of the chorus in Laurel and Hardy's *Swiss Miss*). Simplicity and imagination combine most happily in an extract from de Falla's *La Vida Breve* and in a chorus of serenading men from Francisco Alonso's *Coplas de Ronda*. It is, of course, essential viewing for aficionados. For anyone not knowing the honest and touching pleasures of zarzuela melody and the flash of temperament that gives particular zest to song and dance, it is worth sampling. The visit is sponsored by Banco Bilbao Vizcaya.

Clement Crisp

Paradise

ICA THEATRE

To call Lumiere & Son's new production minimalist theatre would be minimalist criticism. It bears many of the company's trademarks: Jeremy Peyton Jones' haunting musical score has an urgent lyricism, rendered faintly ominous by its deadpan repetitiveness; the text by David Gale is precisely judged, even over-literate; stalwart Trevor Stuart embodies normality thrown slightly askew by the presence of the prosaically abnormal. Its 70 or so teasing minutes leave tantalising questions in the air.

A suited Stuart is discovered at a café table while on panels behind him photographic blow-ups are projected – images of himself alternating with pictures of a chained escapologist. Rational and ordered to the point of mania, he is considering disappearing – from wife, family, everyday life – like the thousands who vanish all over the world every year, leaving no trace, signalling no intention. He discusses this with a faintly tart woman in a Grecian tunic and dress. Their dialogue is interspersed with songs (from her) and formalised dances which may be stylised versions of walking away or possibly scratching an itchy bottom on the scenery.

Hilary Westlake has devised the show, a meeting between pedantic normality yearning for untramelled liberty and destiny as a schoolmarm with Isadora Duncan tendencies. The music is provided by three girls, perhaps fates, who instead of cutting the strings play on them. In identical red curls the violinist, violist and cellist utter the occasional rhymed couplet in unison and join in the dance.

Lumiere & Son remain the most likable of performance art groups, carefully prepared, articulate, not scorning the spoken word but capable of evocative visual spells (Simon Corder provides the lighting besides the projections).

Melanie Pappenheim is the sharpish *agent provocateur*; Dinah Beamish, Sarah Harrison and Jocelyn Pook are the musicians, with experience in West End musicals, Derek Jarman films, Offenbach and the Communards (the modern pop group, not Offenbach's rebels) to their various credits.

As so often, I feel that ultimately Lumiere skirts round the issues set up; but the company's quirky, graceful assumption that the audience has an intelligence is especially welcome at the ICA, where they stay until March 15.

Martin Hoyle

ARTS GUIDE

March 3-9

EXHIBITIONS

London

The Royal Academy. Italian Art in the 20th century: after German and British, the third in the Academy's roughly biennial sequence of major national surveys. The works in themselves are well chosen throughout, never less than intriguing and often very beautiful. All in all it is a remarkable exhibition. Daily until April 9, except Good Friday; sponsors Alitalia and Fiat.

The Barbican Art Gallery. The Last Romantics. A fascinating study of the romantic, symbolic and decorative strain in British painting, that links Burne-Jones and the later pre-Raphaelites to Stanley Spencer and the Slade muralists of the 1920s. Daily until April 9.

The Whitechapel Art Gallery (in collaboration with the Fundacio Joan Miro, Barcelona). Joan Miro: Paintings and Drawings 1929-41 – a study of the purest and most abstracted of the Surrealists through the period of transition from his earlier, directly figurative work, to the final confirmation of his mature and most characteristic manner. Daily except Mondays until April 23 – sponsored by Citicorp/Citibank.

The Hayward Gallery. Leonardo da Vinci: Artist, Scientist, Inventor. The most comprehensive exhibition ever staged of the drawings of Leonardo, including 88 from the Royal Library at Windsor. Daily until April 16.

The Hayward Gallery. La France: Images of Women and Ideas of Celebration of France, the Revolution Revisited. Daily until April 16: then on to the Walker Art Gallery, Liverpool, May 3 to June 11.

Paris

Grand Palais. Paul Gauguin. Coming after Washington and Chicago, 250 works from all over the world form an important retrospective of the legendary *peintre maudit*. Until April 24, closed Tue; late closing night Wed (42 96 58 30).

Louvre. Closed for repairs until March 30.

Centre Georges Pompidou. Tinguely's tinkering genius sets his machines swirling and whirring in a riot of colours, yet the mood of the 100 exhibits moves from the exuberance of invention to metaphysical preoccupations in his recent works. Closed Tue. Ends March 27 (42 77 12 33).

Le Louvre des Antiquaires. A show of wallpaper from 1720 to 1930. The exhibition displays 300 samples of this minor decorative art and shows how its development followed, and underlined, the changes of fashion. 2 Place du Palais Royal (42 97 27 10), Closed Mon, ends April 2.

Musée des Arts Decoratifs. the intimate world of Alexander Calder. some 300 works, most of them gifts to family and friends and, as such, exhibited for the first time, show the inventiveness and sense of humour of the sculptor. Ends May 21. Closed Mon and Tue (42603214).

Musée d'Orsay. Paul-Emile Miot's photographs from Tahiti 1869-1870 show the melancholy reality behind Gauguin's dreams of an exotic paradise. Closed Mon, ends April 23 (40494814).

Musée du Luxembourg. Treasures of Gallo-Roman Silverware. The splendour of Roman silversmiths' work is brought to life by the rich finds on the territory of Roman Gaul. 19, rue de Vaugirard (42342595). Closed Mon, ends April 23.

Musée de Cluny. Medieval art in Paris. The abbots of Cluny built their magnificent late Gothic town house in the heart of the Latin Quarter on the blackened ruins of Roman baths. Place Paul-Painlève, Métro Odéon. Closed Tuesdays and lunchtimes.

Brussels

Musée Royaux d'Art et d'Histoire. Tibet – Terror and Magic, sculptures and paintings of lamaist gods on loan from the Musee Guimet, Paris. Closed Monday ends May 14 (733.9610).

Fondation pour L'Architecture. From Masters to Students. 225 years of Architecture at the Academy of Fine Arts, Brussels.Closed Monday. Ends March 26 (649 0259).

Berlin

Nationalgalerie, Potsdamer Strasse 50. Guggenheim Collection. Around 60 paintings from the Solomon R. Guggenheim Foundation in New York and Venice with works by Picasso and Pollock are exhibited. Ends March 19.

Tübingen

Heinz Berggruen's Paul Klee collection. Kunsthalle, Philosophenweg 76. The exhibition concentrates on the painter's most important period 1919-1925, with around eleven paintings, ninety aquarelles and gouaches as well as nine drawings. Both events marked the paintings in this collection. Ends April 16.

Munich

Kunsthalle der Hypo Kulturstiftung. Retrospective of Paul Delvaux. This exhibition with 66 pieces from all periods is the first big presentation of Delveaux's works in Germany. The 91-year-old Belgian painter first became famous for his surrealist work in the 1930s, influenced by De Chiricos and Magritte. The main subject of his paintings are naked women in classical settings and landscapes from his homeland. Ends March 19.

Cologne

Kaethe Kollwitz Museum. Kaethe Kollwitz (1867-1945). 120 early works by the German graphic artist Kaethe Kollwitz, from the Dresden copper engraving cabinet collection, are exhibited for the first time outside Dresden. Neumarkt 18-24. Ends March 29.

Vienna

The Bank für Arbeit und Wirtschaft. A large and varied exhibition of paintings and water colours by George Eisler, one of Austria's best known painters, is on show. Eisler left Vienna during the War, lived in Manchester but was one of the few artists to return there. Ends April 20.

Secession. There is always some exhibition by Austrian artists on show here. But it is also worthwhile to go downstairs and see Klimt's Beethoven Freize, which has been restored to its original place. The Secession, home of Vienna's fin-de-siecle painters, has been wonderfully restored.

Austrian Museum for Applied Arts. Calling it Design-Wien, Peter Noever, the director has drawn together a collection of works Austrian artists, designers and architects to show just how creative the country's artistic community has been over the past two decades, despite a certain conservatism towards the arts. Ends March 27.

New York

National Academy of Design: The 164th annual juried exhibition includes 133 works. In accordance with a rule change in 1961, this show comprises work only by academy members, alternating with open competition in even numbered years. Ends March 26.

Pierpont Morgan Library. Master drawings borrowed from Holland's oldest museum, the Teyler in Haarlem, focuses on work by Michelangelo, Raphael, Golzius, Rembrandt and Guercino among 100 pieces from the 16th and 17th centuries. Ends April 30.

Museum of Modern Art. In advance of its arrival at London's Hayward Gallery in November, the first retrospective of the work of Andy Warhol since 1970 surveys all his work from the 1950s, covering the Campbell's Soup cans, silkscreens on canvas of Elvis, Jackie Kennedy, Marilyn Monroe and other movie stars, disaster paintings and numerous self-portraits. Ends May 2.

Washington

National Gallery of Art. Cézanne: the Early Years. Already seen at London's Royal Academy of Art and the Musée d'Orsay in Paris, the exhibition comprises 65 oils and 35 drawings showing Cézanne's proto-impressionist techniques from 1859 to 1872. Ends April 30.

Chicago

Art Institute. As part of a national tour, 67 rare ancient Greek sculptures, bronzes, and painted terracotta trace the development of the human form in art from the tenth to the fifth centuries BC. Ends May 7.

Tokyo

National Museum. Treasures from the Ninnaji Temple in Kyoto. This Zen temple was founded in 888, but most of its present buildings date from the 16th century. Closed Mondays.

Striped House Museum. Exhibition of paintings by Kiyoshi Koizumi, third son of the late 19th century writer, Lafcadio Hearn, who became a naturalised Japanese citizen.

Japan Folkcraft Museum, Komaba. East Meets West: ceramics and etchings by the two greatest potters of the 20th century, Bernard Leach and Hamada Shoji, who were lifelong friends. The museum is housed in a beautiful old farmhouse. Closed Mondays.

SALEROOM

BR profit from paintings

The British Rail Pension Fund's disposal of the works of art it bought during the 1970s continues apace. Yesterday at Sotheby's it off-loaded a half dozen British paintings, and showed a very nice profit on its gamble.

For example a picture by Arthur Devis, the mid 18th century portrait painter to the gentry, of Mr and Mrs Robert Dashwood of Stanford Hall in Notts sold to Leger, the London dealer, for £308,000, a record for the artist. It was a substantial improvement on the £26,000 that the Fund paid for it at Sotheby's in 1975 and sold for over three times its top estimate.

The highest price in a British picture auction which totalled £3,265,020, with 14 per cent unsold, was paid for a very rare oil painting by Richard Parkes Bonington of the Grand Canal in Venice. It went for £319,000, at the bottom of its estimate, to the dealer Feigin, and could well be destined for export. Bonington, who died at the age of 27, only painted six oils of Venice, and this one was owned by Sir Robert Peel. Efforts should be made to keep it in the UK, even though the Pension Fund had loaned it to the Santa Barbara Museum in California.

London dealers were very active. Heim paid £187,000 for a Van Dyck portrait of Ann Carr, Countess of Bedford, which sold at Sotheby's in 1973 for £34,000, and Spink acquired a fine view from Richmond Hill looking west by Leonard Knyff for £181,500, another artist record. It was painted in the early 18th century and there is a companion piece in the Orleans House Gallery in Twickenham.

A Gainsborough landscape of around 1763 more than doubled its top estimate at £140,800, to Leger, and a view of the 1833 Derby, with the horses passing Tattenham Corner, by James Pollard, sold privately for £132,000. Among the other sporting pictures there was a record for Satorius of £123,200, for a portrayal of the Surrey Hounds near Leatherhead around 1820 with Henry Boulton as Master. All in all the auction confirmed the strong current demand for British pictures of all periods, a reflection of national prosperity.

Sotheby's, along with Knight Frank and Rutley, had been entrusted with the sale of one of the most popular small independent museums in the country – the London Toy and Model Museum at Craven Hill in Bayswater. A price of £4m is expected for two mid Victorian houses and the contents, a cornucopia of toys, from dolls to trains. The collection has been built up in the last decade and includes everything from 18th century dolls to model trains by German firms like Bing. The new owners will be expected to take on everything. The museum has almost a million, mainly young, visitors a year.

Antony Thorncroft

Booker Prize revalued

The value to the winner of the Booker Prize for Fiction has been increased from £15,000 to £20,000. The panel of judges for this year's prize will be chaired by the novelist, David Lodge. The other judges are Maggie Gee, Helen McNeill, David Profumo and Edmund White.

The winner will be announced on October 26 at a dinner at the Guildhall.

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FINANCIAL TIMES

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Thursday March 9 1989

Lure of trade management

FACED WITH failure to contain the US trade deficit and worried by loss of competitiveness against Japan and other East Asian suppliers, *opinion-leaders in the* US are increasingly tempted by the notion of managed trade. The latest evidence of the trend comes from a report by the influential private sector Advisory Committee for Trade Policy and *Negotiations*. The Administration should, it suggests, identify sectors where *US companies* are competitive on a worldwide basis, but are unable to penetrate the Japanese market. Thereupon, it should negotiate "appropriate" import levels into Japan, under threat of sanctions.

The report is dressed up in a lengthy analysis of the macroeconomic dimensions of the *bilateral trade* problem. But it is its worrying conclusions on managed trade that deserve to be taken seriously by the world at large, even though Mrs Carla Hills, the new US Trade Representative, has expressed distaste for them.

There is a deep fear in the US that Japan's economic success, *symbolised in its trade* surplus, is a threat to US leadership and even its national security. This obsession is set to continue even though specific trade frictions between the two countries have recently abated.

Piecemeal hammering

The Reagan Administration tried to deal with the "Japan *problem*" by *hammering away* at identifiable trade barriers piecemeal. Since there is no mileage left in this approach, the report concludes that the Japanese must be told to change their culture and overcome their aversion to imports.

The demand itself is indefensible. The purpose of liberal trade is, after all, to allow people to satisfy their desires more fully, not compel them to *change those desires to suit* another country's convenience.

The idea is no less disturbing at the practical level. Perhaps out of misplaced politeness, Japanese negotiators sometimes indicate acceptance of an import target, as happened in the case of semiconductors. Such an agreement is worthless in practice, however, because the Japanese Government is unable to deliver. Japanese acceptance of such targets confirms the fantasy that Japan is a planned economy; failure to meet the targets merely confirms suspicions that they cheat.

The authors of the report argue, disingenuously, that all countries would be allowed to benefit from Japan's agreement to open its market to imports. *In practice, the quantitative* targets for imports would be in response to US pressure. To the extent that the Japanese authorities are able to influence imports at all, they are bound to give the US the first slice of the cake, leaving the rest of the world to scramble for the crumbs.

Conflicts in Gatt

Experience in the semiconductor field has already demonstrated that *tinkering* around with formulae for market access leads to frustration and conflicts within the Gatt. The result is to endanger the co-operative relationship with Japan on the macroeconomic issues, quite apart from setting *a bad example* to the European Community.

As the report itself states, the greatest single contribution to a reduction in the bilateral deficit would come from balancing the US budget. This, the authors admit, is unlikely, which is why they recommend alternative specific action on trade. *The logic is extraordinary.* Being unable to solve the underlying problem, the symptom – *the trade deficit* – is blamed on the unfair practices of trading partners. Thereupon a solution is offered that is most unlikely to work, but is certain to endanger the multilateral trading system.

One of the most influential books on the Japanese "threat", Trading Places by *Clyde Prestowitz, alleges that* the US has allowed Japan to surpass it as an economic power. *If the report's recommendations* for the pursuit of a bilateral approach to managed trade were accepted, the US would, indeed, be trading places, but not with Japan. The US would, instead, be converting to the international economic ideals of the Soviet Union, precisely when Mr Mikhail Gorbachev has at last renounced them.

China's tactics in Tibet

THIS WEEK the Chinese have been behaving like the worst of colonial ogres, shooting down unarmed civilians and sending out nightly squads to pick up anyone suspected of taking part in the riots in the Tibetan capital, Lhasa. Over the past two years the Chinese have regularly responded to pro-independence demonstrators carrying only flags or pictures of the Dalai Lama with shoot-to-kill firing.

In the past such protests have been followed by brutal security sweeps through the city. When Lord Ennals, the British parliamentarian, went to Tibet on a fact-finding mission last spring, he was given horrifying evidence of police torture of suspects. With Lhasa to be closed to foreigners tomorrow following the imposition of martial law, there is no reason to think China's security *forces will use more palatable* methods. Indeed, witnesses in the Tibetan capital said yesterday that troops were massing outside the city, ready to wade in as soon as the last foreigner leaves.

Barbaric behaviour

Hitherto Peking has been largely immune from criticism for this barbaric behaviour. It is now more than time for the international community to persuade the Chinese leadership to make some effort to restore human rights. The Chinese could, at least, be pressed to stop stalling over plans for discussions with the Dalai Lama on his proposals for genuine Tibetan internal self-rule under a Chinese umbrella.

Since these proposals represent considerable movement away from the traditional Tibetan claim to full independence, the Dalai has made a realistic and statesmanlike offer which *should* not be ignored. While several Western governments, including Britain and the US, have in the last few days made statements deploring the violence and urging Chinese talks with the Dalai, this is not enough.

It is unthinkable that if, for example, Soviet police had shot down citizens of the Baltic republics in similar protests, the Western response would have been so mild. Less than two weeks ago, when China's best-known dissident, the scientist Fang Lizhi, was chased away by police from President Bush's dinner in Peking to which he had been invited, the American protest was muted in the extreme.

Blaring propaganda

For all the blaring propaganda to the contrary, Tibet has never truly been part of China. On occasion, Chinese Emperors exerted influence in Lhasa, and that is all. The Tibetans are separated by culture, religion, lifestyle and language from the Chinese, who are in Tibet by force of arms. Peking *has not even kept the* 1950s agreement which specified Tibetan semi-independence.

In nearly 40 years as an occupying power, the Chinese *record has been deplorable.* Numerous Tibetans have died at their hands, either through slaughter after resistance to Chinese forces or from starvation caused by Chinese ignorance. While it is true that everyone suffered in China under the devastating Cultural Revolution, no one suffered as *much* as the Tibetans who saw almost their entire religious and cultural heritage destroyed. Their traditional agriculture was ruined by the application of extreme Maoist ideas.

While there has been some improvement in the last ten years, Chinese chauvinism means that Tibetans are second class citizens in their own country. What little develop*ment has taken place has been* mainly for the benefit of incoming ethnic Chinese or to supply raw material such as timber to China proper, a process which is damaging Tibetan ecology.

There is more to the Tibetan tragedy than the rape of a distant land. After 1997 Hong Kong will revert to Chinese sovereignty. It will be open to China to exploit the former British territory just as it has done in Tibet, and similarly to crush dissent. Western governments, especially the British, should at least insist that China behaves with minimum decency in its present colonies before it takes on another.

Stephen Fidler assesses US policy on Third World debt

The Baker plan revised

The US Administration's review of the *Third World debt* issue, currently under way, will produce no grand new scheme. Unless, however, it is only to scratch the surface of a worsening problem it will have to change some key assumptions of the Baker plan, the US approach to the problem since 1985.

The Baker plan's aim was to bring about growth through economic adjustment, partly *financed by new credits from* commercial banks and stepped-up lending from the World Bank. The scale of funding needed to finance growth never arrived. There is now virtual unanimity that the strategy must be overhauled: the legacy of debt crisis management has been a more stable international banking system but tragic weakness in many of Latin America's fragile democracies.

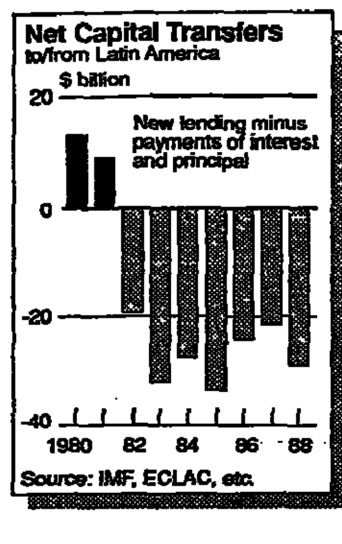
For political reasons, however, any new initiative will have to be presented as an extension of the Baker principles. Mr David Mulford, the Treasury's under-secretary for international affairs, who is in charge of the policy review, has already promised a continuation of *the Baker plan's* country-by-country approach. Any beneficiaries of a new approach – as of the existing strategy – will be those debtors that agree to economic conditions laid down by the International Monetary Fund and the World Bank.

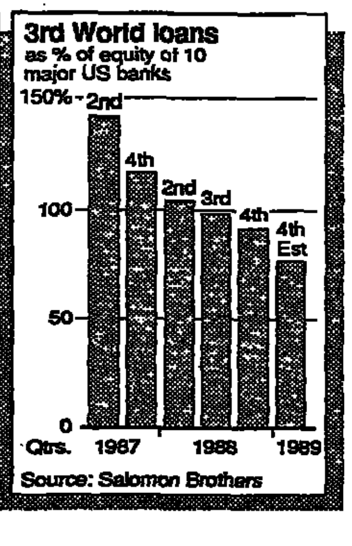
Given the furore over the bail-out plan for US thrift institutions, the new approach is more unlikely than ever to require funds from Congress. And the administration does not believe it is in a constitu*tional position to order the* banks to make *concessions* to ease the debt burden. According to one banker, this means the US has "promised not to say the 'F-word'": forgiveness.

That leaves voluntary participation by banks as the only way to reduce the crippling burden of debt. This involves encouraging banks to recognise that their loans are not worth 100 cents on the dollar, reversing an approach which up to now has been aimed at maintaining the appearance of *quality in bank portfolios.*

Voluntary debt reduction accelerated significantly last year. It is unlikely, however, without new impetus to make much impact on the $1.2 trillion of developing country debt, $450bn of which is owed by Latin America. Debt reduction techniques have resulted in $26bn of debt relief since the crisis began ($15bn in 1988).

Much has resulted from debt *restructuring by private companies* in Mexico, of which there remains little to do. Most of the rest has been through debt-to-equity swaps – most successfully, in Chile – in which foreign creditors exchange discounted sovereign loans for currency to buy equity in new or existing companies in debtor countries.





Brazil had an active pro*gramme in 1988 – debt reduction* there is estimated to have amounted to $8bn last year – but in January it suspended debt-equity auctions. This is one symptom of a reaction against debt-equity swaps in Latin America, where they are often politically unpopular. In future, the focus of debt reduction will have to lie elsewhere.

A new US plan is likely to offer further encouragement to debt buybacks. In their simplest form, these entail debtor countries buying back their *debt at a discount in the* secondary market. The problem is that buybacks require reserves, which most debtor countries do not have, or donations, to which most countries do not have access. A buyback last year by Chile was financed by windfall earnings from high copper prices; one for Bolivia by government donors anxious for cooperation in stamping out the cocaine trade.

One alternative which does not require reserves is the so-called debt-for-debt swap, in which old loans are exchanged at a discount for bonds carrying a lower face value or lower *interest rates. In the case of* Mexico, for example, JP Morgan arranged an issue of 20-year bonds using zero-coupon US Treasury notes as collateral; and there were so-called exit bonds in the Argentine debt package of 1987 and that of Brazil in 1988.

Unfortunately, banks are not interested in swapping loans for equally unattractive bonds. They want greater security (or a quicker exit). The most efficient way to achieve greater security appears to be some form of official guarantee, possibly by the World Bank, for the replacement bonds. One *problem with the Mexico/Morgan* deal was that the collateralised principal made up only 17 per cent of the bonds' total present value. More attractive to banks, and an efficient option for the World Bank, would be a rolling guarantee of the first two or three years' interest payments.

There are common problems, however, to all these attempts *at voluntary debt reduction.* The first is the so-called free rider problem, which means that creditor banks that do not participate in a deal benefit none the less from the participation of others. Free riders have plagued attempts to arrange new loans for debtor countries and could also hinder *voluntary debt reduction.*

A second difficulty is that reducing the debt burden alone does not, unless the reduction is really big, ameliorate the central difficulty – the huge resource flows from the highly-indebted countries, more than $30bn in 1988.

Commercial bankers in the US say this can be addressed by the making of new loans through a "menu of options" of different types of lending. This menu, which recognises the *increased diversity of interests* of lending banks, was seen in its most highly-developed form in Brazil's big financing package last year. It would be more effective if new loans could be differentiated as senior or superior to the old. However, the "new money" approach will inevitably be weakened by any encouragement to banks to write down debts.

Bankers in Europe and some academics say that what debtors really need is to capitalise their interest payments. US banks would suffer from relatively harsh accounting and regulatory treatment of such arrangements, *but that could* be softened. More fundamental is the fear that once a country was granted interest capitalisation, it could easily increase unilaterally the proportion of interest treated in this way.

Furthermore, interest capitalisation runs directly counter *to debt reduction, potentially* leading to rapid growth of debt burdens. And, with capitalisation voluntary (as part of the "menu of options") banks could not be forced either to capitalise interest or lend new money: the free rider problem would not be addressed.

Given all this, the Treasury's options appear to be these:

- *To encourage debt buy*backs (perhaps through a facility established at the IMF) and debt-for-debt swaps (through greater use of official guarantees for exit bonds, perhaps from the World Bank). Better cooperation with Japan could clear the way for finance.
- To apply new regulatory *pressures to banks to encourage* them to take part in debt reduction. The establishment of new general reserves – cushions against possible future loan losses – for US banks could be made tax deductible. Such provisions, however, currently count towards US bank capital. So *the Treasury might prefer* regulators to force banks to make loan write-offs, which are already allowable against tax. Another option would be to allow banks to spread write-downs over a number of years.
- *To improve incentives for* banks to participate in debt reduction. Accounting rules for low-interest bonds might be changed, to allow banks to avoid the recognition of losses. The regulatory constraints on bank participation in debt-equity swaps might be loosened. New lending packages *could also include* commitments from debtors to a certain level of debt-equity con*versions.*
- To lift the US block on a capital increase of the Inter-American Development Bank, allowing it to broaden its scope to make policy-related loans, and to encourage the other multilateral institutions to step up lending.
- To increase incentives for virtuous economic performance in the debtor countries, stressing the encouragement of *domestic savings and the* reversal of capital flight. The stock of overseas flight capital is estimated to amount to 45 per cent of the foreign debt of the highly-indebted countries.

In an ideal world, all this taken together – combined with sympathetic action from other governments in their roles as tax authorities, bank regulators and creditors – could lead to a sharp drop in *the debt burden of countries* promising to adhere to structural reform, and a reduction *in the huge outflows of capital* from poorer countries.

In practical terms, the achievements will probably be more modest. No such plan can address the problems of countries whose economic management is poor. Even if most of these measures are adopted, implementation will not be *rapid, and there may still be* strong incentives to free riders among the banks. What the US *Treasury does with one hand,* the US Federal Reserve could wipe out with the other, by pushing up interest rates further. In the meantime, the clock ticks on in Latin America, where the debt issue could tip the country's new democracies back over the brink.

BOOK REVIEW

In the view of the President

EUROPEAN DIARY 1977-81
By Roy Jenkins
Collins, £25

This diary lets drop more big names than *deep insights*. But since there are so many of the former, there is plenty of scope for the latter. The reader should not be disappointed.

As President of the European Commission, Roy Jenkins saw more of Europe's leaders than they did of each other. In those days (1977-80) heads of government held three summits a year (now it is a more sensible two), and a *Commission* President has a major part to play in travelling to national capitals, setting up these meetings and gathering together the pieces afterwards. The Commission presidency was not then the power that Jacques Delors has since made it, but it still gave the best *all-round political* view of the Community. Jenkins was right to decide from the start on literary exploitation of this vantage point, though only he can judge whether his role as diarist interfered with his role as diplomat.

Many will come to this tome wanting to know more about the birth of the European Monetary System, a bonny bouncing boy brought into the world *10* years ago this month under the combined parentage of Jenkins, Helmut Schmidt and Giscard d'Estaing. These readers will be a bit chagrined to discover that the diary sheds no fresh light on why Jenkins decided in mid-1977 to try to relaunch monetary union, going public on it in October of that year in his *Florence* speech. Jenkins confirms that Schmidt's conversion to the *EMS in spring 1978 was due to* President Jimmy Carter's neglect of the sliding dollar. But Schmidt's contempt for Carter is hardly news, now or even then.

However, there are echoes of 10 years ago that are of interest today. Jenkins observes that the EMS plan moved fast "because heads of government provided the direction and the will, while central bankers handled much of the detail." Might that recipe work again, with central bankers forming a *majority on the Delors committee* which is due to report next month on concrete steps *towards* economic and monetary union?

What set the EMS rolling was the Giscard-Schmidt axis, on which the Community used to *pivot.* Jenkins benefited from this Franco-German partnership, but not without making some accurately caustic observations on it. He recalls *his advice to Margaret* Thatcher, the new UK Prime Minister, to "try to break up *the endless exhibition waltz* between Giscard and Schmidt . . . which left the little Five and Italy as bored wallflowers sitting on the edge of the room." He also noted how the French and German leaders covered *for* each other – "when Giscard behaves badly, Schmidt *switches off* like a husband who pretends not to notice if his wife gets drunk."

Some of Giscard d'Estaing's "bad behaviour" was directed at Jenkins – over the issue of whether the Commission President should be allowed to join leaders of Europe's Big Four at a Western *economic summit* meeting with the North Americans and Japanese. This faintly absurd "War of Jenkins's Seat" dominated the first half of Jenkins's Brussels term, but ended in success. It set an important precedent, giving smaller EC states some indirect representation, via the Commission President. *However, Giscard* d'Estaing carried on his war against the Commission by *other* means, at one point ludicrously charging Jenkins with *lèse-majesté* for actually daring to take a slightly different line to that of the French President at a joint press conference.

Jenkins has one or two *mea culpae* to confess. At one point he hints that he may have been rather too keen on travelling in private aircraft, particularly in his first two years *in* Brussels. This appeared to change with press revelations in early 1979 about a German Commissioner's hotel expenses, and a subsequent Court of Auditors trawl through all Commissioners' expenses which would have gladdened Sir John Hoskyns's heart. The report revealed interesting national differ*ences: the Germans* having a penchant for grand hotels, the Italians for trips home, and the French for flowers.

Jenkins is quite candid about his early mistake in trying, before he became Commission President, to get Schmidt to change his men in Brussels. He failed. Worse, "both German Commissioners knew I had tried to replace them." (No incoming President has tried such *tactics since.) Collegiality* diminished further as Jenkins started to steer the Commis*sion through dinners* composed of the "Four Horsemen" – himself, Ortoli, Davignon and Gundelach.

But from mid-1979 Jenkins was, judging from his diary, as interested in plotting his return to British politics as in Brussels. At the same time, of course, the direction of his Commission was knocked sideways by Mrs Thatcher's demand to "get her money back." His work on the UK budget issue, Jenkins notes, made him appear to be playing "a British hand." That reduced the desire of other EC governments to keep him on for another term. And that, in turn, made return to British politics not just desirable, but inevitable.

David Buchan

OBSERVER

The Lady's firm "No"

■ Considerable embarrassment among British Government Departments yesterday about the Prime Minister's categorical refusal to attend the international conference on the environment in The Hague on Saturday. Mrs Thatcher has, after all, just hosted her own international conference on the ozone layer in London and it would be reasonable to expect her to give backing to other people's efforts. Indeed, one might say that it would be discourteous not to.

Still, the Prime Minister is adamant. She gave her reasons in the House of Commons on February 23, and is sticking to them. Confirming that she would make a speech at her own conference, she went on: "The other conference, which has been called by the French Prime Minister and is to be held in The Hague, is not on specific targets for the environment. It is to form a new organisation, and I respectfully submit that we do not need one, given that we have the UN, the EC, the World Climate Authority and the World Meteorological Authority. The conference is to set up yet another organisation, which is not necessary, and it proposes that compensation should be paid – without saying how – and that sanctions should be applied if rules are not complied with – again without saying how. We believe in calling conferences to do things about the environment."

She might be right, of course, about there being no need for a new organisation and it is understandable that she does not want to go herself. But could she not send someone to watch what is going on, or even to put her point of view? The Overseas Development Administration, the Department of Environment, the Foreign Office all have an interest, and would like to be there. All of them have had to bow, somewhat reluctantly, to the Thatcher fiat.

Even the possibility of sending an observer from the British Embassy in The Hague has been ruled out, though some*one may attempt to attend the* press conference – incognito – at the end.

Price of peat

■ Ireland has found another product to sell to the many millions of Irish Americans who hanker after mementoes of the homeland. This time it really is a bit of the "Old Sod." Bord Na Mona, the state run authority responsible for mining Ireland's thousands of acres of peat bog, is to sell peat bricks for burning in the Irish American hearth. Packaged and designed only for spe*cial occasions,* the peat bricks will sell in the US for just under $10 per bag – almost 10 times the price back home.

Lawyers' talk

■ A very civilised lunch at Freshfields, the solicitors. Yet one could not help thinking that it would not have happened like that only a few years ago. Here were the senior partners sitting round and talking openly about their problems, lamenting that they had kept themselves to themselves and had so few contacts with the media.

Not that Freshfields' problems are all that great. The firm has been growing fast and *is concentrating on expanding* in Europe rather than the US. But there is a sense of unease that seems to be besetting all the professional classes now that the Lord Chancellor has taken on the legal system and the Government may be about to sort out the doctors.

"There is no direct threat to us," said Michael MacCabe, the managing partner. But he worries about getting the right recruits in a competitive market for graduates. Freshfields, in fact, is glad to fall back on what they call the "colonials": Irish, Scots, Canadians and Australians.

"It's a compulsory purchase order from BR."

There is no real threat of a takeover either, since the *firm owns itself. Still,* MacCabe and Hugh Peppiatt, the senior partner, do just wonder about how some of the old stockbroking firms were taken over by the American houses. And they worry rather more about the accountants. It is the latter who are seen as the wave of the future, moving into more and more areas of business.

A takeover bid from Peat, perhaps? "Well, not yet, and certainly not for us," is the response. But it is interesting that people have begun to talk that way.

In one sense, however, Freshfields' self-confidence has grown. "A few years ago," said Peppiatt, "we would never have dared to move away from our City buildings." Later this year it is moving to Fleet Street – "now that the newspapers are out of the way".

Gold auction

■ The Vikki Harris Laser Fund at St Bartholomew's Hospital London, which I wrote about in Monday's Observer, is already rising thanks to the *generous response of readers.* Some have sent cheques here; others are doing so directly to the Vikki Harris Laser Fund, Independent Order of Oddfellows, Pride of Islington Lodge, 70 Ronald's Road, London N5 1XN. One anonymous reader sent a £10 note and a line saying: "Good luck, Vikki." Thank you to *all.*

Another reader, Charles Wyatt, has presented us with a lump of specimen gold ore, which he suggests that we should auction for the fund. The suggestion is accepted.

The specimen comes from the Clogau St Davids Gold Mine at Bontddu, near Dolgellau, Gwynedd. *It is the mine* that has traditionally supplied gold for royal wedding rings – the Queen Mother, the Queen, Princess Margaret and Princess Anne. Most of what was left of the original nugget was used for the ring for the Princess of Wales.

The remainder of the specimen ore was presented to the Queen in 1981, except for one small part which Wyatt has now entrusted to us. He has his own reasons for being grateful to Barts.

Wyatt says that its market value is probably around £500. It is unusual in that you can see the gold on the outside.

Would anyone who would like to bid for it please name their sum in a letter to *Observer* at The Financial Times, 10 Cannon Street, London EC 4? The deadline will be *Monday* March 20. The ore will go to the highest bidder.

Colour blind

■ Sign in a Hampshire hairdressers: "Invisible hairnets. Choice of six colours."

ECONOMIC VIEWPOINT

Financial strategy's porcupine destiny

By Samuel Brittan

Economists and journalists love calling on the Chancellor of the Exchequer for a clear statement of monetary policy in his Budget speech. Sometimes the demand is for a restatement of the Medium Term Financial Strategy (MTFS) which Nigel Lawson took a lead in launching when Financial Secretary under Sir Geoffrey Howe in 1980.

These calls ought to carry a health warning. For a wrongly formulated restatement would do much more harm than no restatement or continuing to muddle through.

It is virtually costless for commentators and advisers to urge their own favourite formulations. If these do not work, this will be grist to their mills. For they can go on *suggesting* revised ideas in future years while the Chancellor is left carrying the blame.

As it is, in any case, already far too late to influence the Budget Red Book, it will be more useful to summarise the history and principles of the MTFS and thus explain the accompanying porcupine chart.

Like most other innovations of the present Government, the roots of the MTFS go back to earlier periods. Moreover the strategy has a fiscal as well as a monetary aspect. The fiscal aspect goes back to none other than Lord Plowden, who chaired a committee which recommended a forward look at the public spending stretching several years ahead, instead of stop-gap year-to-year management. These Plowden surveys have been published since the early 1960s.

The early projections had two major drawbacks. First they were in funny money. That is they were not in cash but in so-called volume terms. Secondly expenditure plans were originally set not against tax revenues but against projections of "real resources."

An initial aspect of the MTFS was therefore simply to put expenditure projections, in cash terms, side by side with revenue projections, together with some objective for the overall balance of the Budget.

The fiscal aspect has been an unsung success. Officials did "get *their sums wrong,*" *as they* overestimated deficits and underestimated surpluses. But no one gets the sack in a private organisation for benign errors.

The object of the monetary side of the MTFS has been to state monetary objectives for more than one year ahead. At a minimum this keeps the Government and public minds focused on the need to carry on reducing inflation over a longer period so that it comes down, if not literally to zero, at least to a low creeping rate.

There was a more specific desire to affect expectations. If employers and unions expected increasing downward pressure on inflation in the years ahead, they would, it was hoped, eventually adjust their wage and price behaviour accordingly. Thus the Government's counter-inflationary objectives could be achieved at a smaller cost in jobs lost and output forgone than if business merely found to its surprise that monetary policy continued to be tight.

As we know, the monetary side proved far more difficult. Because of both financial innovation and the effects of economic change it became extremely difficult to predict money holding habits or the velocity of circulation. There have been no less than six restatements of either the aggregates or the target ranges. No wonder the MTFS did not succeed in influencing expectations and inflation came down painfully in the early 1980s due to the brute facts of recession and an overvalued pound.

The various monetary targets are often known as intermediate objectives, because there is an underlying aim that they have all been designed to serve. This aim has been to provide what Nigel Lawson and his chief economic adviser, Sir Terence Burns, call a "nominal framework." They mean a growth of spending in cash terms sufficient to support real growth but not to accommodate inflation.

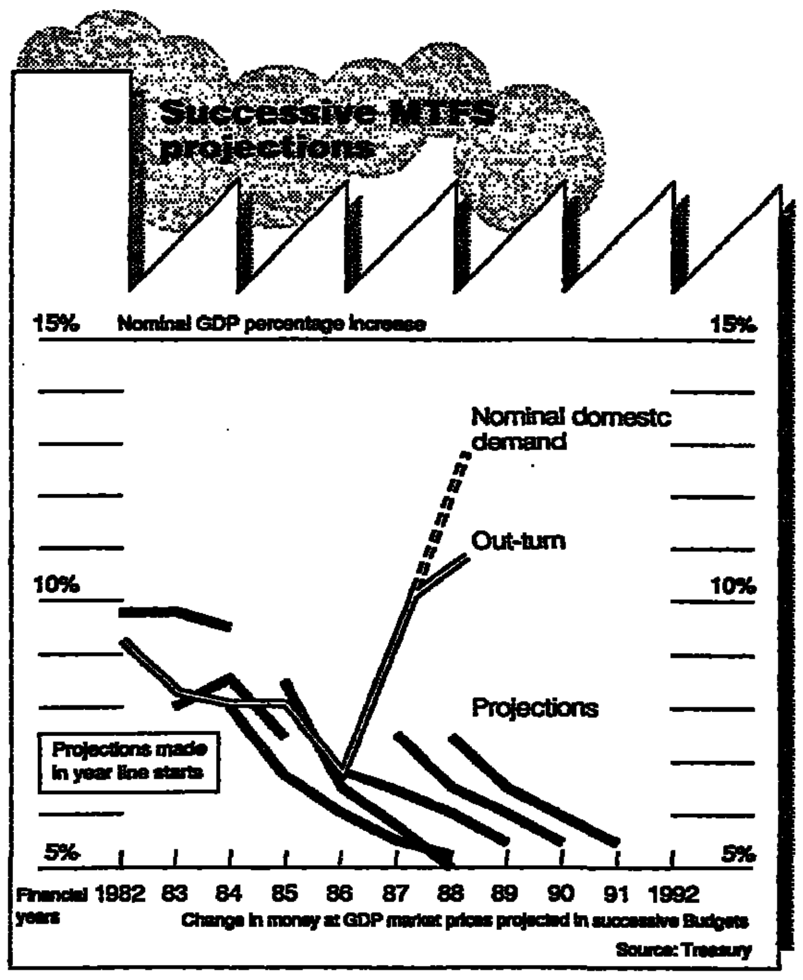
This underlying aim is normally best stated in terms of Nominal GDP. This is simply gross domestic product in current money without any attempt to deflate it by a price index. It also happens to equal the money supply (any measure of it) times its velocity of circulation.

An objective for Nominal GDP has superior logical status to intermediate monetary targets, as I argued in How To End the Monetarist Controversy (first published in 1981 – the last time I had any specific influence on *policy*). *Focusing on Nominal GDP is* the equivalent of stating one's destination – such as Glasgow – before becoming bogged down in arguments about the best roads to take.

Projections for Nominal GDP have indeed been given in the Red Book since 1982 and were implicit before, although they have never quite obtained target status.

In the circumstances of the 1980s any reasonable path for Nominal GDP has had to be downward sloping until it reaches some rate – such as five per cent per annum – which leaves room for only modest inflation at the end of the period. The result of monitoring projections against outcome is the porcupine-shaped chart.

Two key features emerge from the chart. First the projections have been continuously pushed further ahead. The aim of 5 per cent, or 5½ per cent, Nominal GDP growth which was to have been achieved in the present financial year has been repeatedly postponed – in the last Budget until 1991, and presumably it will be postponed further next Tuesday.



Secondly the objectives themselves have, after the first year or two, been much more frequently overshot than undershot. At first the process was relatively benign as the overshooting reflected higher real growth rather than more inflation; and some adjustment to take into account supply side improvements was indeed reasonable. But in 1987 and 1988 the overshoot has been enormous and has had a high inflationary as well as a real growth component.

When the balance of payments is deteriorating rapidly, Nominal GDP growth itself understates the growth of spending because it excludes imports. For 1988 alone I have therefore plotted one additional measure – Nominal Domestic Demand, which includes spending on imports as well as home products. This shot up to no less than 14 per cent im 1988, indicating inflationary pressures deflected into the payments deficit.

It is most important for the critic to avoid going over the top. Nominal GDP aims are guidelines over several years, not a straitjacket. Indeed a completely steady path would probably be undesirable. For, as the great analyst of capitalism, Joseph Schumpeter, observed, growth proceeds in fits and starts. Indeed he shocked some of his readers in pre-1914 Vienna by saying that inflation was a necessary component of a wave of innovation. He wrote, however, against the background of a Gold Standard which guarded against any inflationary take-off and ensured that years of high inflation were offset by years of low inflation or even falling prices.

The contemporary moral is that the need for some sort of assurance that breakthroughs, such as the one shown in the chart, should be quickly spotted and reversed.

Where does the exchange rate fit in to the MTFS? In two possible ways. It can be an intermediate indicator to be observed along with the monetary aggregates and all other available evidence. This, indeed, is how Treasury officials have seen it most of the time.

A more ambitious aim with which the Chancellor himself has played, especially when the D-Mark was closely shadowed *during* 1987-88, was to go further and use a currency link with a sound money country, in this instance Germany, as an anti-inflationary anchor. This is at its most effective when part of a published and known framework, whether the 19th century Gold Standard or the EMS today, backed by the commitments of several countries.

The more *ad hoc* link forced on the Chancellor by the Prime Minister's opposition to the EMS was not strong enough to prevent an inflationary wave emanating from outside the traded goods sector – in the mortgage market and in non-traded services. Even so, it is inconceivable that sterling can remain anywhere within even the broadest target ranges unless the spending trends shown in the chart are soon reversed.

If the UK were on an exchange rate standard – for example if it were in the EMS with a tacit objective of not depreciating against the D-Mark by more than 2 per cent per annum on average – the nature of this standard would itself suggest an appropriate long-term path *for* Nominal GDP.

Even if a British MTFS were stated entirely in terms of fiscal objectives and the exchange rate, Nominal GDP would come in at an international level. The central bank of the anchor country would need to monitor its economy's own Nominal GDP to ensure that its policies were neither too tight or too loose; the Bundesbank does this without quite admitting it. In a European Monetary Union there would need to be an overall nominal GDP objective for the Community.

The practical upshot is that a British MTFS designed to withstand financial shocks and surprises would highlight both exchange rate and Nominal GDP objectives in some combination. These would have to be revised in the light of events and actual progress. But they would be knocked about less than an MTFS couched in the technocratic monetary target language preferred by most of those who want a restatement.

If that is the only prospect, I would much rather have no restatement and the usual obscure official prose designed to keep options open or paper over cracks between the Prime Minister and the Chancellor.

LOMBARD

Of animals and wise men

By David Thomas

WHAT SHOULD Britain do with a university department which (a) has one of the few research teams of world class in its field, (b) generates much more research income than comparable departments in other universities, (c) has 10 students knocking on its door for every place it offers and (d) has no unemployment among its graduates?

The answer appears obvious to the people who plan Britain's universities: close it. This was the fate suggested earlier this year for Glasgow University's veterinary school, a proposal which has stirred up a storm in Scotland, but only the weakest of ripples south of the border.

Predictably, the closure's opponents have waved the Scottish card, bellowing dire warnings about English bureaucrats trampling over one of Scotland's national assets. Yet the issues run deeper: the proposal highlights the failings of the current university planning regime even more starkly than the well-documented problems of more glamorous subjects such as philosophy.

The trouble stems from a report published in January by a University Grants Committee working party on veterinary education, one of a series of UGC subject reviews. The working party saw the need for four veterinary centres in Bristol, Edinburgh, Liverpool and London: Glasgow would go and Cambridge's department would be downgraded as a result.

Oddly, the UGC subject reviews are being carried through in the middle of considerable uncertainty about the universities' future. Education ministers are busy articulating a vision of a brave new free market future for higher education. The UGC, meanwhile, is rationalising university departments in centrally determined decisions which will circumscribe the provision of many subjects well into the next century.

At issue are two different models of how the universities should be governed: wise men versus wise markets. Yet the case for closing the Glasgow school seems weak on either model.

● **Wise men:** Sir Ralph Riley, chairman of the vet review and a former deputy chairman of the Agricultural and Food Research Council, was told to plan for a maximum annual throughput of 335 vet students, 10 per cent above the latest official demand forecast for vets issued in 1985.

He concluded that each school should have at least 36 lecturers in order to teach the full sweep of specialisms. From there, it was a matter of simple arithmetic to calculate that the country had room for just four vet schools. Throw in the need for a regional spread of facilities and one of the Scottish schools becomes vulnerable.

So far, so defensible. Yet the case is curiously incomplete. No one would guess from the Riley report that performance indicators, ability to win research contracts and measures of student demand are all the rage in the universities.

Nowhere does Riley attempt to compare the academic quality of the vet schools. One of the few references to such factors is that at Glasgow "the pathology and parasitology departments have large research programmes and are of international repute."

● **Wise markets:** In any case, manpower forecasts seem too fragile a vessel to bear the strain of determing the future of Britain's veterinary education.

Annual demand for vets in the 1990s could range from 140 to 633, depending on factors such as the growth in pet ownership and the number of women coming out of vet schools, according to the Institute of Manpower Studies at Sussex University.

So here is an excellent chance for education ministers to flesh out their talk about markets. Unlike teachers or doctors, vets are firmly part of the private sector: more than four fifths earn a tidy living through private practice.

Ministers truly committed to the market would let more people go to vet school: an oversupply would drive down fees for the nation's farmers and pet owners. If ministers are worried about picking up the tab for uncontrolled expansion, they should insist on vets paying back part of their education once in employment.

LETTERS

Industry and education

From Mr E Palfrey.

Sir, I read Michael Prowse's article on the international baccalaureate (March 2) with great interest.

My son, now starting his two years for A-levels, has found the pathway for those students who are of A-grade standard at both English and maths a very stoney one indeed.

He can do these two subjects together, but only at the expense of a complete change of teachers and group after the first year. The school – a top academic public school – has made no adequate provision for children who have this joint ability.

But who can blame the school? It has to organise itself efficiently for university entrance. Besides, what top university is calling for these sorts of minds? To pick up your point, what university will carry through – or even welcome – the start which the baccalaureate diploma gives?

The university world is so sluggish – so slug-like – that I believe that only orchestrated pressure from commerce and industry will cause perceivable change. The answer could lie in the CBI and other interested bodies getting together and, instead of producing reports and recommendations to the Government, spending money in a campaign to bring direct pressure on the universities to improve British education.

For too long the scene has been one of Government hand-wriging ("The great education debate") or ineffectual attempts to change the climate of opinion in our slow-moving university minds. If our companies want recruits trained to be both literate and numerate, then it is time for them to apply pressure and provide carrots directed towards achieving this end.

At the moment, it does not get any such trained graduates. Is it not time for industry to deal direct?

E Palfrey,
Coxboro' Cottage,
Cookham, Berkshire.

France's economic adjustments

From Mr David Flanagan.

Sir, Your article, "Adjustment in France" (March 3), congratulates the French economy on its recent successes in growth, control of inflation and the corporate sector. Two clouds on the French economic horizon are identified, however, relating to the weakness of the structure of manufacturing industry and the rigidity of the labour market.

Faster growth of imports than exports of manufactured goods is certainly a matter of concern for the French authorities. This situation is largely due to two factors. First, the recovery of demand following the difficult years of the early 1980s inevitably led to a surge *in imports. It is not* necessarily the case, however, that this short-term effect will develop into a long-term problem. Second, it is important to recognise that France's policy of economic openness and internationalisation may have required, and may continue to require, considerable import penetration before a position of comparative external equilibrium is reached. This process culminates in 1990 with the dismantling of the last exchange control mechanisms.

To consider the side effects of France's trading position of these developments as a structural weakness in the economy may not be entirely realistic.

Labour market rigidity is thought to represent a continuous threat to the French corporate sector's profitability unless addressed urgently. The French authorities, however, appear to have recognised this vulnerability with the gradual reduction of employers' contributions as part of the employment plan of last year. The increase in the contributions of individuals to social security *which allows this change may* also contribute to a moderation of consumption growth.

The adjustments in the problem areas of trade and labour conditions already appear to be under way, therefore, and their success in ensuring France's continue economic progress may yet remain to be seen.

David Flanagan,
138 Shepherds Bush Road, W6

An unwelcome bid threat

From Mr E. G. Unwin.

Sir, I was appalled to read the article by Hugo Dixon (March 8) concerning Hoskyns's attitude to GEC-Siemens and Plessey and would like to put the record straight.

The offer document from GEC-Siemens has made no reference concerning their intentions with regard to Hoskyns. It was against this fact that I refused to answer questions regarding their intentions. In no way can this be taken as support for the GEC-Siemens bid threat.

To date, Plessey has honoured all their commitments to Hoskyns and, together we regard the bid threat as totally unwelcome.

E. G. Unwin
Chairman,
Hoskyns Group plc
Hoskyns House
130 Shaftesbury Avenue
London W1

The realities of the railways

From Mr Thomas Whittle

Sir, If, as David C. Hawkins asserts (Letters, March 6), the private car is a menace, with very low seat-hour utilisation, why is it that public (rail) transport needs to be subsidised? Despite very heavy seat-hour utilisation at rush hours, Mr Hawkins may find that British Rail has a low average seat-hour utilisation throughout its system.

As much of the capital cost of these commuter networks has been amortised or written off, surely BR and London Transport should be able to pay its way without help from ratepayers and taxpayers.

Perhaps BR should face reality and look at its own under-utilised facilities. A privatised rail system would have to do so.

Thomas Whittle
19 Kildoon Drive
Maybole, Ayrshire

Incentives for Northern farmers that pull the South down

From Mr Clive Robinson.

Sir, Professors Tangermann and Josling are to be congratulated on their attempt (World Trade News, February 14) to find the common elements in the EC and US positions which could lead to progress in the stalled GATT talks on agricultural trade. The blind spot in their article is the implication that the principal victims of distorted world farm trade are the farmers and national treasuries of the industrialised North.

The people who stand to lose most from a continuation of the dumping war in farm products are small farmers in developing countries. This group, numbering some 1.4 billion (contrasted with 10 million farmers in the EC and 3.4 million in the US), does not rate a mention in your correspondents' article.

It is not simply export subsidies, which cost Washington and Brussels so dear, but subsidised farm exports which threaten the livelihoods of many Third World farmers. Low world prices brought about (until the recent US drought applied a brake) by export subsidies have made it too tempting for developing countries to accept cheap food imports rather than provide more expensive incentives to their farmers. The result is not just lower Third World production but a catastrophic loss of income in the rural areas where 80 per cent or more of the people depend on farming.

Agreement in the Uruguay Round is both possible and urgently needed. If it is to help the majority of the world's farmers, it must put an end to policies of incentives to Northern farmers to drive their poorer Third World colleagues out of their own markets. It must therefore eliminate export dumping and the export subsidies which fuel it. The EC is right to insist on continued CAP protection for its smaller farmers but should find ways of achieving this (quotas and other supply management mechanisms) which limit EC agriculture to its own consumption needs. The "long-term goal of bringing agriculture fully into GATT", must include effective anti-dumping provisions. GATT accords must also ensure that indebted agricultural economies in the Third World can continue to restrict cheap food imports until they have achieved at least the level of self-sufficiency enjoyed by European farming.

Clive Robinson,
Liaison Committee of
Development NGOs to the
European Communities,
PO Box 100, SE1

FINANCIAL TIMES
Thursday March 9 1989

US budget stalemate: no news is bad news

Slow decision-making puts pressure on the financial markets, reports Peter Riddell

US budget discussions are heading for stalemate. Amid all the furore over the Tower affair, the debate on how to reduce the federal deficit has received little public attention in the past two or three weeks. But in this case no news is bad news.

On Tuesday, Mr Richard Darman, budget director, appealed for early, high-level talks, saying that a stalemate brought the economic risk that rising interest rates might cause the economy to founder. In this he was echoing last week's warning to Congress by Mr Alan Greenspan, chairman of the Federal Reserve, of his fear that "you won't move as rapidly as you ought to."

The budget procedures are well under way. Senate and House committees have been busily holding hearings. The Democrat congressional leadership has also been continuing exploratory meetings with the Administration about when and how formal talks might occur.

Yet no decisions have been taken. The budget timetable, and the financial markets, are pressing. Key dates have been set by the Balanced Budget and Emergency Deficit Control Act of December 1985 (more familiarly known as Gramm-Rudman-Hollings or GRH) which laid down procedures to force Congress and the Administration to tailor spending and tax decisions to the overriding aim of gradually eliminating the budget deficit.

The deficit reduction targets are based on forecasts of economic activity before the relevant year starts. These tend to be optimistic since no administration is likely to want to be gloomy about output and unemployment. Moreover, once the fiscal year has started, there is no clawback for overshooting the deficit. The record is, to say the least, uninspiring; virtue is always put off until next year.

In only one year, fiscal 1987, did the US come remotely near the GRH target. As Mr Stanley Collender, director of the Federal Budget Policy unit at Price Waterhouse in Washington, points out in his comprehensive "Guide to the Federal Budget" (published by the Urban Institute), the 1987 performance reflected a once-and-for-all boost to revenue from the 1986 tax changes and from asset sales, which are now not allowed to be counted in the GRH target.

This year even Mr Darman has had to concede the optimism of some of the projections, especially over the cost of rescuing the savings and loans industry. The latest rise in interest rates casts doubt on official assumptions of a sharp fall in rates over the next three years, coupled with 3 per cent plus economic growth. Any deviation adds substantially to the size of the deficit.

The immediate stumbling block has been the "black box" of $136bn of domestic discretionary spending which is not being adjusted for inflation to produce savings of more than $10bn. The Democrats have been reluctant to start talks without more details and last week Mr Darman was forced to resuscitate the proposals of the Reagan Budget of January 9 as a starting point for the negotiations.

Mr Leon Panetta, the adroit chairman of the House budget committee, has expressed confidence that the House version of the budget resolution setting overall guidelines should be available by the April 15 deadline. But the Senate version is unlikely to be ready on time.

Even though there may not be much time lost, there is still likely to be a gap between the Democrat-controlled Congress and the Administration. On Tuesday, Mr Dan Rostenkowski, chairman of the Ways and Means Committee, listed several proposals, including Medicare cuts, which he believed would not pass Congress.

The key dates will be in August and September after the Administration's revised economic forecasts which, on current trends, will show that more needs to be done to cut the deficit. So, not surprisingly, there has been increasing talk in recent weeks about invoking the sequestration procedure – which Mr Rostenkowski has said is preferable to the Bush Budget.

Sequestration provides for mandatory across-the-board cuts to meet the deficit target. These are divided evenly between defence and domestic programmes (with certain protected areas in both), which would mean a tighter squeeze on the Pentagon than under the Bush Budget.

The manoeuvring is likely to continue for some months, unless a crisis in the financial markets forces the pace.

Darman: echoed warning

COUNTDOWN TO OCTOBER

- **January 9:** President Reagan's final budget.
- **February 9:** President Bush's revised budget.
- **February and March:** Hearings by Senate and House committees and exploratory talks between Congressional leaders and Administration.
- **April 15:** Non-binding deadline for both Houses to produce, and agree, budget resolution setting out instructions to committees for spending and tax changes in 21 different areas.
- **June 15:** Congress due to complete legislation reconciling spending details and totals.
- **August 15:** President's *Office of Management and* Budget (OMB) and Congressional Budget Office make separate estimates of deficit.
- **August 25:** President issues initial sequestration order cutting spending if, after taking account of Congressional spending plans, new deficit estimate is above GRH target (as in text), with $10bn margin of leeway.
- **Late August to mid-October:** Discussion of alternative deficit reduction proposals.
- **October 1:** Start of fiscal year, and initial sequestration order takes effect.
- **October 15:** Revised estimate of deficit and final sequestration order from president.

Source: Collender, The Guide to the Federal Budget.

US FEDERAL BUDGET DEFICIT ($bn)

Fiscal Year	GRH (1985)	GRH (1987)	Bush Budget
1986	171.9	221.2	221.2
1987	144.0	149.7	149.7
1988	108.0	144.0	155.1
1989	72.0	136.0	170.2
1990	36.0	100.0	94.8
1991	0.0	64.0	64.2
1992	-	28.0	30.6
1993	-	0.0	-2.5

(minus figures equal a surplus)

Source: Office of the Management and the Budget

West Germany wins Brussels approval for state subsidy of Daimler takeover

By William Dawkins in Brussels

THE WEST GERMAN Government yesterday won clearance from the European Commission to provide up to DM3.9bn ($2.1bn) for the proposed acquisition of a stake in the Messerschmitt-Bölkow-Blohm (MBB) aerospace group by Daimler-Benz, the country's main car producer.

This is one of the biggest state subsidies ever to receive the go-ahead from the Brussels authorities and represents the removal of an important potential barrier to what the Commission considers a strategically important takeover for the European aircraft industry.

The plan is also awaiting clearance from West Germany's national cartel office. Brussels has no objection to the bid on cartel grounds, said an official.

About a third of the total is an exchange risk guarantee, to protect the group against falls in the value of the dollar, the currency in which aircraft are usually priced. The rest is a debt write-off, designed to phase out state subsidies for MBB, the West German partner in the Airbus consortium.

The aid package was demanded by Daimler-Benz as a condition for agreeing to take over MBB, 51 per cent of whose capital is currently in public hands. Daimler will initially buy 30 per cent of MBB and later increase that stake to more than 50 per cent.

EC competition rules tightly restrict member governments' freedom to subsidise industry, but there are exceptions for assistance to important projects of common European interest, of which Airbus is a prime example.

Brussels was also encouraged by the fact that the takeover would bring private capital – DM1bn – into Deutsche Airbus for the first time.

The aids were to help "the restructuring of the West German civil aircraft industry with the aim of increasing its efficiency and international competitiveness," said a Commission statement.

Competition would not be distorted because aircraft sales between member states were limited and did not in any case take place in the same market as Airbus.

- The Commission yesterday challenged West German proposals to provide low interest credit to help the shipbuilding group, Howaldswerke Deutsche-Werft, provide three container ships to an Israeli company.

The proposed assistance is worth 30 per cent of the contract price of DM105m per ship, representing a total grant of DM94.5m. West German authorities believe this should qualify as aid for a development project, but the Commission was warned them that Israel is not a developing country and that the subsidies should therefore be blocked.

Greece, Cyprus set out positions on arms talks

By Judy Dempsey in Vienna

GREECE and Cyprus, which yesterday tentatively set out some of their negotiating positions for the two sets of arms talks which open formally in Vienna today, are likely to raise difficulties for the West.

Mr Karolos Papoulias, the Greek Foreign Minister, whose delegation last January was at the centre of a dispute with Turkey over what zones should be included in any conventional reductions, again made veiled references to this dispute.

At issue is the region around Mersin in south-eastern Turkey, an important strategic port which the Turks want excluded from any reductions.

Nato did not fully resolve this issue, preferring instead to leave the matter open until the negotiations started.

But yesterday, Mr Papoulias said firmly that Greece's position "has already been made clear during the last stage of the negotiations - concerning the zones on which the results of the negotiations will be applicable."

It is understood that Turkey again raised this issue last week in Brussels as Nato was putting the final touches to its own proposals which will be formally presented today.

Earlier this week in Vienna, Mr Mesut Yilmaz, the Turkish Foreign Minister, hinted that no one could "expect states to readily give us what they have so far considered as guarantees of their security."

Cyprus made clear that it saw no reason why naval forces should continue to be excluded in the talks on Confidence and Security Building Measures (CSBMs).

Mr George Iacovou, the Cypriot Foreign Minister, said their exclusion "would not be in the spirit of the creation of confidence."

His views are likely to be welcomed by the Warsaw Pact which has frequently raised this matter. However, independent naval forces are not included in the original mandate for these talks.

British Coal pension fund to sell $1bn US property

By Paul Cheeseright, Property Correspondent, in London

BRITISH Coal Pension Funds are preparing to sell their US property interests, worth some $1bn (£580m).

The properties are held by Pan American Properties and Buckingham Holdings, and Ms Wendy Luscombe, the president of Pan American, said yesterday that the pension funds "had not been burnt by their investment and they are not dumping it."

The decision to withdraw from the US property market and tostage a sale which is large even by local standards was taken by the trustees of the pension funds in London last week.

It follows a period of three years during which little fresh money was made available to enlarge the two property portfolios. Ms Luscombe said that there had been a change of investment philosophy.

The pension funds had been in US property for over eight years and "had been given a good run for their money," Ms Luscombe noted, although she would not disclose the investment returns the pension funds had received.

"They want to get liquid and go into something else," she added.

Half of the Pan American properties are offices, 35 per cent retail and 15 per cent industrial properties. One property is the Watergate in Washington DC, scene of the break-in which set off the chain of events leading to the downfall of President Richard Nixon. This is in the Buckingham portfolio, along with other offices in San Francisco, Los Angeles, New York, Massachusetts and New Jersey.

The sale comes during a period of sluggishness in the US property market.

But there is a safeguard for the pension funds in that many of the properties are of a nature to appeal to foreign and US institutions. Their investment in prime US property has been increasing.

The pension funds, whose total assets are more than £10bn, moved into the US property market after British exchange controls had been lifted in 1979.

Soviet pride of the fleet banned by home ports

By Quentin Peel in Moscow

A SOVIET nuclear-powered merchant ship is stranded at anchor outside the port of Vladivostok, in the Soviet Far East, after unprecedented popular protests have banned it from docking at any of the major ports on the country's Pacific coast.

The pride of the Soviet merchant fleet, the 61,000 tonne Sevmorput, is wallowing in a force seven gale because of environmental fears over the danger posed by its nuclear reactor, according to Soviet press reports.

Workers in a string of ports, including Vladivostok, headquarters of the Soviet Pacific fleet, and neighbouring Nakhodka, Vostochny, Magadan and Petropavlovsk-Kamchatsky, have been backed by their local councils in refusing to unload the ship at the end of its maiden voyage from the Black Sea.

The Sevmorput is described by the Soviet press as an "atomic giant" and is designed to carry some 70 barges on board.

It left Odessa on its maiden voyage in January for Vietnam, passing through the Bosporus on January 12.

Western naval observers say the ship, heavily reinforced for ice protection, is intended to open up the northern sea routes for the Soviet Union, operating between Vladivostok and Murmansk, and serving the Arctic and Pacific ports in between.

Those are exactly the ports which are now refusing to handle it.

Despite the insistence of the Soviet Ministry of the Merchant Marine that the ship is totally safe, Vladivostok city council and the rest have refused to let it dock until they receive "extra information about the radiation safety of the ship," according to Sovietskaya Rossiya, the Communist Party newspaper in the Russian federation.

THE LEX COLUMN

The high cost of tackling Tiny

It has become all too clear that in taking on Lonrho, Mr Alan Bond made a major strategic error. Even if he finds a buyer for his stake at the asking price – which on balance seems unlikely – he will have made a mere 2 per cent on the transaction. Perhaps more important, by rousing the street-fighting instincts of Mr Rowland, he has brought on himself attacks of such pointed ferocity that his reputation as a serious financier may never be the same again.

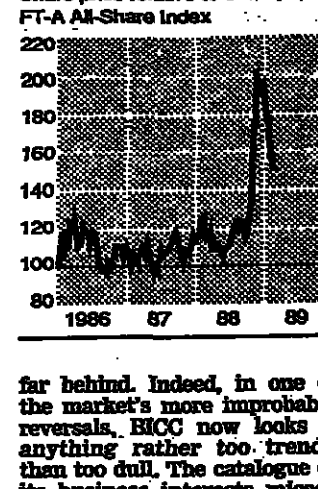
The extent to which Mr Bond is a forced seller is unclear, and will doubtless stay that way. What is clear is that he is locked into a gamble rather similar to that of Mr Pat Goodman with RHM. Unable to make headway with his stake or find an immediate buyer, he is obliged to declare an auction, in the knowledge that if that fails he will be in the worst of possible worlds: obliged eventually to dump on the market an overhanging stake in a company which he himself has elaborately shown to be proof against takeover.

If so, the question arises of what Lonrho is worth on fundamental grounds. The market has convinced itself that the break-up value is at least £5 a share, but if the company is bid-proof, that hardly matters. At 344p, the multiple is still in line with the market – that is, vastly higher than before Mr Bond appeared. It does not follow that it would drop back to where it was: battles of this kind have a way of drawing the market's attention to merits previously overlooked. And with the yield at 6 per cent, there is protection in the fact that it must at some point be worth Lonrho's while to buy the stake in.

And meanwhile, what of Allied Lyons? Like Lonrho, it is too big and well-defended to be within Mr Bond's reach. But his 11 per cent stake is worth £400m, which would doubtless come in handy – even if the situation is complicated by the debentures which he has issued against part of it. The problem lies in finding someone with £6bn to spend; though in structural terms at least, Allied looks custom-built for the ambitions of Messrs Goldsmith and Rothschild.

Lonhro

Share price relative to the FT-A All-Share Index



BICC

BICC may have been a slightly late arrival on the British industrial transformation scene in the 1980s, but it has since left its image as a laggard far behind. Indeed, in one of the market's more improbable reversals, BICC now looks if anything rather too trendy than too dull. The catalogue of its business interests misses out few of the priority areas for infrastructural investment over the next decade: telecommunications and power, the railways and the Channel tunnel, not to mention all the burrowing yet to be done under South London. And when it comes to ideological soundness on the 1992 issue, recent acquisitions in the garlic belt have earned BICC a suitably European reputation.

None of that had much to do with yesterday's 7 per cent rise in the share price, of course: that seems to have been BICC's reward for turning in 1988 profits £10m higher than market expectations. But it is difficult to see BICC repeating the same trick this year as last: earnings growth of around 30 per cent for the past two years will inevitably slow as productivity gains become harder, with earnings per share rising at well under half that rate in 1989. And though there seems little reason to take a miserly view of the longer term prospects for telecoms, power and transport, a rating of 12 times earnings for the current year is probably all that is deserved – especially if the Northern housing market follows the slowdown in the South.

Ultramar

To declare Ultramar, that perpetual bid stock, off the hit list would be pretty radical. Yet after yesterday's results, and now that the Canadian stake is safely in the hands of apparently genuine investors, it is beginning to look that way. If the bidders really have given up on Ultramar, its shareholders need not fear unduly: starting from a long way back, the company's earnings – which have been an irrelevance for several years – nearly justify the p/e multiple. Indeed, to those who believe that the North American refining industry is starting on a cyclical upswing, the prospective multiple of 12 may be barely a point too high.

Perhaps more important, Ultramar is no longer screaming out to be taken over. Last time it had any cash flow to speak of, it squandered it, but this time could be different. Whether by luck or design, the Wilmington deal now seems positively inspired, while the Blackfriars acquisition looks solid enough, and the planned disposals will also do their bit for earnings.

The management evidently feels relaxed: the 1p rise in yesterday's dividend leaves it 3p short of the 10.5p paid in 1985, and had it felt under any pressure, Ultramar could have been much more generous. After all, its dividend cover is well above that of BP. But then, the message that Ultramar one day hopes to get across is that the company is growing.

GrandMet

Grand Metropolitan is wasting no time in getting Pillsbury into some kind of shape. It only moved in a few weeks ago, but it has already fired a third of the managers, and yesterday completed the forced disposal of S&N Restaurant at a price that would not have disgraced a more willing seller. A steady trickle of encouraging announcements has also been emerging from other parts of the company recently. Yesterday's purchase of Metaxa shows that some spirits groups – admittedly of the rougher Greek variety – are still to be had at sensible prices that apparently do not dilute earnings; while the latest increase in the pension surplus makes Grand Met one of the few FT-SE companies for which City earnings forecasts are edging up rather than down. Still, shareholders should not get too carried away by the optimism that Mr Sheppard is bound to regale them with at today's annual meeting. Pillsbury may be settling down nicely, and the share price may have almost recovered the ground it lost when the deal was announced; but the key to the price is still Burger King, which will test GrandMet's boasted retailing skills to the limit.

WORLD WEATHER

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	R	11	52	Dubrovnik	S	15	59	Malta	S	16	61	Rhodes	F	15	59
Algiers	C	16	61	Edinburgh	C	6	43	Manchester	F	7	45	Rio de J'o	C	34	93
Amsterdam	S	9	48	Faro	S	20	68	Manila	F	30	86	Rome	C	13	55
Athens	S	14	57	Florence	C	11	52	Melbourne	C	24	75	Salzburg	F	9	48
Bahrain	F	29	84	Frankfurt	S	4	39	Mexico City	F	25	77	San Francisco	F	14	57
Bangkok	R	27	81	Funchal	C	18	64	Miami	R	14	57	Seoul	S	3	37
Barcelona	D	10	60	Geneva	F	8	46	Milan	F	14	57	Singapore	T	23	73
Beirut		–	–	Gibraltar	S	17	63	Montreal	F	-19	-2	Stockholm	C	4	39
Belfast	R	7	45	Glasgow	R	7	45	Moscow	F	2	36	Strasbourg	R	5	41
Belgrade	S	16	61	Guernsey	F	9	48	Munich		–	–	Sydney	S	29	84
Berlin	S	8	46	Helsinki	F	1	34	Nairobi	S	27	81	Taipei	F	12	54
Biarritz	F	11	52	H. Kong	S	18	64	Naples	F	15	59	Tangier	S	19	66
Bombay	S	30	86	Innsbruck	R	5	41	Nassau	F	28	82	Tel Aviv	F	19	66
Bordeaux	S	12	54	Inverness	F	6	43	New Delhi	S	28	82	Tenerife	S	24	75
Brussels	S	8	46	Islamabad	F	27	80	New York	C	-8	18	Tokyo	F	6	43
Budapest	S	10	50	Istanbul	F	8	46	Nice	S	14	57	Toronto	Sn	-15	5
B. Aires	C	28	82	Jakarta	R	32	90	Nicosia	S	16	61	Tunis	S	16	61
Cairo	C	20	68	Jersey	F	10	50	Oporto	S	16	61	Valencia	C	13	55
Cape Town		–	–	Jo'burg	S	25	77	Oslo		–	–	Venice	F	9	48
Caracas	R	26	79	Lima	F	29	84	Paris	F	10	50	Vienna	C	11	52
Casablanca	F	16	61	Lisbon	S	18	64	Peking	S	11	52	Warsaw	C	4	39
Chicago	F	-7	19	London	S	11	52	Prague	R	7	45	Washington	C	-7	19
Cologne	R	4	39	Los Angeles	F	13	55	Reykjavik	F	3	37	Zurich	C	8	46
Copenhagen	S	6	43	Luxembourg	Sl	2	36								
Corfu	F	14	57	Madrid	S	14	57								
Dallas	F	-3	27	Majorca	C	13	55								
Dublin	C	9	48	Malaga	S	23	73								

Readings at mid-day yesterday

C-Cloudy Dr-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

Brussels in jam over clean cars

Continued from Page 1

likely to happen. Despite the Italian Commissioner's eagerness to press home his point, Mr Jacques Delors insisted last night that a full report on the implications of moving quickly to higher standards be drawn up by the Commission and that any decision by Brussels should be considered over the next few weeks.

World Bank optimism

Continued from Page 1

per cent during 1980-84 to almost 4 per cent on average in 1989 and 1987. By contrast, the growth rates in countries with weak or no reform programs... running under 1 per cent a year in the earlier period, increased by only a third as much in 1986 and 1987."

It challenges the view that Africa's steep decline over the past two decades has been caused largely by external factors, suggesting that these "may have been less hostile than supposed and less culpable in explaining the crisis."

The report points out, for example, that had sub-Saharan African countries "simply maintained their 1970 market share of non-oil primary exports from developing countries, their export earnings would have been $9bn-$10bn a year higher in 1986-87. This shortfall is similar in magnitude to total debt service payments, or donor assistance."

After reviewing a range of indicators, including "strong improvement" in the agricultural sector, the report says that "the evidence ... leaves room for optimism."

SECTION III

FINANCIAL TIMES SURVEY

In the last six years, the Channel Islands have enjoyed a remarkable economic boom. The islands' business sectors, however, are now closely monitoring the European Community's plans to dismantle internal trade barriers by 1992, as **Barry Riley** reports here.

The Channel Islands

Grappling with the 1992 issue

JUST HOW will the European Community's plans to dismantle the internal trade barriers by 1992 affect the Channel Islands?

What at one stage appeared a remote and intangible issue has suddenly turned into the subject of urgent and heated debate. Last week, for instance, the Guernsey authorities held a special public meeting to explain the official position, and they have issued an explanatory pamphlet. This is not, however, a policy document, and it attempts to do no more than to set out the position in factual terms.

So far, the 1992 question has generated more heat than light. The Channel Islands' public has been confused by the coverage in the UK media, which only relates to the effects on the mainland economy. On the face of it, however, nothing necessarily will change the position of the islands.

It is possible that the adoption of a 'Fortress Europe' approach by the EC could damage outsiders, Jersey and Guernsey among them. On the other hand, the imposition of burdens such as a 15 per cent withholding tax on Luxembourg could prove highly beneficial to convenient and reputable offshore financial centres.

At any rate, the islands are monitoring the situation closely. Both Jersey and Guernsey have retained the advisory services of a mainland barrister and academic, Richard Plender, for guidance on the latest twists and turns in Brussels as innumerable directives grind their way through the legislative machinery.

In Jersey, Colin Powell, the States' Economic Adviser, says that representatives of the main sectors meet regularly in a 1992 group. He accepts that there is a disadvantage in marketing into the EC, which could increase after 1992. But there is a corresponding advantage in marketing around the world. He sees Jersey as becoming "offshore Europe rather than offshore UK."

Norman Le Cheminant, chief executive to Guernsey's Advisory & Finance Committee and the island's top civil servant, suggests that the Channel Islands could only be seriously affected in very grave circumstances.

"But there is a need to maintain a very close watching brief," he says. He wonders hypothetically, for instance, whether new administrative arrangements for the collection of VAT might be more onerous for third countries such as the Channel Islands.

Jersey and Guernsey are in identical constitutional positions in relation to the EC. They are not members of the EC nor, as is commonly (but wrongly) supposed, are they associate members. Technically, they enjoy a special relationship under Protocol 3 to the UK's 1971 Treaty of Accession (the Isle of Man is slightly differently placed because of its common purse arrangement with the UK for excise duties and VAT).

In terms of physical trade, the Channel Islands are within the common external tariff. However, they are not bound by the remaining clauses of the treaties and so are unaffected by most directives or by the Community's provisions relating to the free movement of people and services.

There is no suggestion at this stage that the Protocol will be changed. In any event, it could only be altered by unanimous decision of all twelve EC member states, and the Channel Islands would therefore be able to look to the protection of the UK.

"There's a fear of the unknown," admits Richard Arnold, president of the Guernsey Chamber of Commerce.

The 1992 issue is coming to prominence at a time when there are signs that the booming economies of the Channel Islands are starting to boil over. Cracks are starting to appear in the previously rock-solid finance industry, where Morgan Guaranty last month announced the impending closure of its Euro-lending business in Jersey, while Manufacturers Hanover in Guernsey has announced it is conducting a strategic review of its activities.

Meanwhile, some of the fund management companies have had a hard time since the October 1987 crash, and the fragility of some of the offshore operations was underlined late last year when NM Schroder decided to repatriate much of its administrative activity from Guernsey to the UK after expensive mistakes were made in the pricing of funds.

There is no reason to fear, however, that the offshore finance industry is experiencing anything more than a pause for breath — which many see as welcome. Displaced employees are being quickly re-absorbed elsewhere.

Since the end of the last recession in 1982 there has been a remarkable economic boom. In real terms, Guernsey's economic growth rate was 9 per cent in 1987, after 10 per cent in 1986. Last year the rate is estimated to have slackened to some 6 or 7 per cent, but this still represents an excellent performance.

The rather larger Jersey economy has certainly been no less buoyant. In nominal terms, the Jersey GNP doubled in the six years up to 1987. But this includes the effect of persistent inflation, which has tended to run higher than in the UK.

Last year Jersey's retail price inflation was consistently 1 to 2 per cent higher than on the mainland, and although the rate was a little more moderate in Guernsey, nevertheless it had topped 7 per cent year-on-year by December. Meantime, it is probable that the labour shortage has been driving employee earnings up at a double-digit percentage rate.

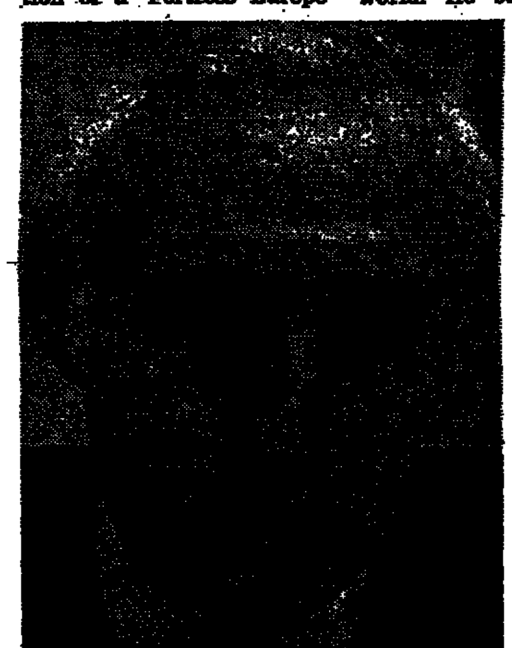
The finance industry has been the main engine behind the rapid economic expansion. Jersey's official statistics indicate that the finance sector overtook tourism as a contributor to GNP in 1986, and accounted for 40 per cent of GNP in 1987 (up from just 20 per cent in 1975).

This growth has not been achieved without complaint from elsewhere. In both Jersey and Guernsey the finance sector is accused of driving up wages and poaching employees from other sectors such as public service. Meanwhile, the top jobs usually go to immigrants, rather than locals.

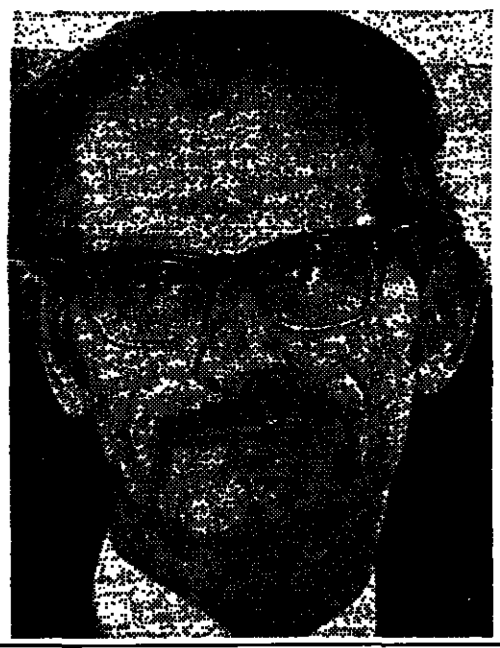
There is friction, too, over house prices, which have been very buoyant — at least until the recent sharp rise in mortgage interest rates.

Since it is estimated in Guernsey that 30 per cent of all mortgages are extended on a cut-rate basis to finance sector employees, there is under-

Continued on Page 8



☐ Many in the Channel Islands sense there could be a chance to build new business relationships throughout Europe — although they face competition from a variety of locations in the European Community.
☐ In Jersey, Colin Powell, (left), the States' Economic Adviser, sees Jersey becoming "offshore Europe, rather than offshore UK."
☐ Meanwhile, in Guernsey, Norman Le Cheminant, (right), chief executive to the Advisory and Finance Committee — and the island's top civil servant — suggests "there is a need to maintain a very close watching brief" on the likely impact of 1992 issues.



CONTENTS

☐ *PICTURED, LEFT: Symbols of prosperity: private yachts anchored at St.Peter Port harbour. Picture by John Schute.*

International investment regulations

Islands surmount a new hurdle

ARE Jersey and Guernsey in the Organisation for Economic Co-operation and Development (OECD)? And why should anybody care?

For the answers, read to the end, but a hint is that it is something to do with the tangled subject of international investment regulation.

The two Channel Islands have just surmounted one hurdle in this area. At the end of last year, they were separately granted Designated Territory status by the UK's Department of Trade and Industry.

This means that under the terms of Section 87 of the Financial Services Act 1986, the DTI has been satisfied that funds based in Jersey and Guernsey can offer UK investors equivalent protection to that available from funds domiciled and regulated on the mainland.

To achieve this, the islands have had to set up new regulatory procedures. By no means all of their funds will qualify for the green light and be freely marketable in the UK.

Guernsey has defined Class A1 and Class A2 collective investment schemes which are suitable for authorisation by the Securities and Investments Board in London, and Class B schemes which are not.

Jersey funds are being slightly less formally divided into a recognised class and a local category.

There is a reluctance to put fund management companies into too much of a straightjacket. In Jersey, for instance, Richard Syvret, Commercial Relations Officer, says he prefers to place the emphasis on choosing only the top quality fund managers and then letting them get on with it.

"As an offshore centre, we feel we need to be flexible in regard to what they want to do," he comments.

Jersey is reckoned to have 300-350 funds at present, and those run by members of the Jersey Fund Managers' Association are valued at around £5m. However, only 28 are regarded as candidates for recognition for UK marketing purposes, although they include some substantial funds and will be worth some £1.25-£1.5m in aggregate.

Guernsey's fund industry is rather smaller, amounting to some 180 funds valued at £3bn (precise figures should be available for the first time later this year). However, as many as 60 or 70 are aiming for the A classification, and 28 had already been approved by last month (all A1, with no candidates yet for the more flexible A2 category).

Meanwhile Jersey has awarded just four funds its recognized status (the 'Z' is insisted upon by the St Helier officials).

Once authorised by the offshore regulators the funds must apply to the SIB, where further scrutiny faces them. To begin with, officials in Jersey and Guernsey were upset at the degree of double-checking that was being done by the SIB, and at the imposition of unnecessary delays of up to two months. However, more recently the SIB appears to have speeded up, and a number of mainland approvals were granted last month.

All the same, queues are developing in the offshore centres. The regulators are not only authorising funds, but are embarking upon the process of licensing various functionaries, such as custodians, administrators and distributors.

In Jersey, Richard Syvret expects to uncover a hidden segment of the offshore fund industry.

"A number of entities are functionaries of which the authorities are largely unaware," he says. "We will be capturing additional funds and additional permit holders. There will be a little weeding out to be done, but not a lot."

Over at Guernsey's Financial Services Commission, Nigel Taylor, Superintendent of Investment Business, is considering whether to reject the application of one fund for authorisation, as well as the licence requests of several fringe advisers or promoters.

One new rule which has caused some complaints is the requirement for the management and custody functions to be separated. These can now only be carried out by separate companies, which may have common ownership but which must have different executives and staff.

When they have been approved by the SIB the offshore funds are freely marketable within the UK. However, many face delays while they restructure to meet new regulations. In the meantime they can only sell in the UK on a restricted basis through professional intermediaries.

One of the funds which faces a marketing gap of a few weeks is Capital House International Growth Funds, a £50m-plus Jersey umbrella fund (with some 17 sub-funds) run by Capital House, a subsidiary of the Royal Bank of Scotland Group.

"It's of no real consequence to us," says John Wetherall, managing director. "It would have been wrong to rush headlong into recognition and then find our systems needed to be altered."

Over the next few months, the authorisation backlog will be cleared up and the Channel Island regulators will turn more of their attention towards Continental Europe. Member-states of the European Community are now completing their legislation for UCITS (standing for Undertakings for Collective Investment in Transferable Securities).

From next October, according to the UCITS Directive, investment funds will be marketable across national borders. But Jersey and Guernsey will not be able to reach the rest of the E C through the UK.

Is there a problem?

"It is up to the fund managers to market into Europe," says Nigel Taylor. All the same, he is expecting to visit some of the Continental regulators in due course. Richard Syvret is also prepared to investigate the scope for negotiations.

Meanwhile, there continues to be plenty of scope for marketing Channel Island funds to expatriates in many parts of the world. And the arrival of Japanese institutions is noted with approval. For instance, Japanese life companies are setting up funds in Jersey, sometimes in hefty $100m tranches. And two Yamaichi funds have just been given "B" class authorisation in Guernsey.

Japanese life companies are setting up in Jersey, but the islands are still casting envious eyes at the scale of Japanese fund management business that is passing through Luxembourg

But the Channel Islands are still casting envious eyes at the scale of the Japanese fund management business passing through Luxembourg, and this is where the OECD problem crops up.

Although Japanese institutional funds can be based in Jersey or Guernsey, a Japanese rule says that overseas funds marketed back into Japan must be domiciled in a member state of the OECD. Luxembourg clearly qualifies. But what about the Channel Islands?

So it was that last October John Roper, director general of the Guernsey Financial Services Commission, and Colin Powell, economic adviser to the Jersey States, met officials of the Japanese Securities Dealers Association and the Ministry of Finance in Tokyo.

There was lengthy discussion of the constitutional position of the Channel Islands, which as the *Iles Normandes* were originally part of the domain of William the Conqueror. It was pointed out that the UK, a leading OECD member, is responsible for their international affairs.

What the Japanese made of it all is not clear. But they have promised to study extensive documentation and respond in due course.

Barry Riley

INSURANCE

Guernsey leads European 'captive' sector

INSURANCE is a sector which Jersey has left to Guernsey to take care of; whereas Jersey has never found it worthwhile to set up specific insurance legislation, Guernsey has stepped enthusiastically into this *niche*, and updated its insurance law as recently as 1986.

Guernsey is prominent in two areas. One is the so-called 'captive' insurance business, which concerns the operation of offshore insurance subsidiaries of, usually, large companies (although there are also 'association' captives which operate on a mutual basis for a number of smaller proprietors).

The other sector is offshore life assurance. This business was originally focused on expatriate clients, but last year Guernsey was granted designated territory status under Section 130 of the UK's Financial Services Act 1986 for the purpose of life assurance business.

This designation is separate from the recognition subsequently granted under Section 87 of the Act, which relates to investment funds, but the effect is the same. It means that Guernsey companies, of which Providence Capitol is the biggest, can market their products on the mainland.

The two kinds of insurance business have quite different characteristics. Captive insurance is in several respects the ideal business for a congested offshore financial centre such as Guernsey: transactions with a very high value can be handled by a very few staff on a sub-contracted basis. The only drawback, perhaps, is that the specialist skills normally need to be imported.

Offshore life assurance has run into greater problems. As a business selling to individual clients it tends to be more labour intensive, and several mainland groups heading offshore recently have been steered towards the Isle of Man, or even the new international financial centre in Dublin. However, the companies already established in Guernsey have been well-placed.

Meanwhile the captive insurance industry has found it possible to grow healthily. Guernsey ranks third amongst the leading captive centres, and although its 137 companies at

Steve Butterworth, superintendent of insurance: optimistic

the end of 1988 left it a long way behind Bermuda (well over 1,000) and Cayman (370 or more) it is the clear leader within the European time zone.

Steve Butterworth, Guernsey's Superintendent of Insurance since 1986, is optimistic about the prospects for further growth – "we've got quite a lot in the pipeline," he says.

The island added a net 22 to its collection of captives in 1988, and has already licensed another three so far this year.

Roger Hall, managing director of HRGM Insurance Management, and chairman of the Guernsey Insurance Company Managers Association, agrees that newcomers "are still flowing quite nicely." He sees between 12 and 20 new captives being set up within the next six to twelve months.

Despite its professionalism and strong position in the 'captive' sector, Guernsey faces significant competition from the Isle of Man, Luxembourg and other areas

Guernsey is taking the initiative of staging a two-day Captive Forum next month, which it is hoped will turn into a regular annual event for the captive industry. It is by no means focused on Guernsey itself, and experts from the Bahamas, the Isle of Man and elsewhere will be taking part.

Although Guernsey is the European leader, it has faced significant competition from the Isle of Man, which plays host to around 60 captives, and Luxembourg, which specialises in reinsurance business and has rather different connections – with Sweden, for instance, as well as the Continental member states of the EC.

Guernsey has been able to supply political stability and professionalism, together with easy access to London's insurance markets. But the Isle of Man has successfully expanded into the captive business during the 1980s on the back of a new regulatory set-up and a favourable tax deal under which captives can claim exempt tax status and pay only a modest annual fee (though many costs are liable to VAT, in contrast to VAT-free Guernsey).

In the circumstances, Guernsey has been forced to make concessions, and in January this year it introduced a new tax regime for captives which means that annual payments are effectively limited to around £50,000, no matter how large or profitable the captive may become.

According to Roger Hall, these changes have corrected the imbalance. Guernsey is still the more highly taxed centre, but can offset this disadvantage up through offering greater expertise and a better supporting infrastructure.

New captives come to transact a wide range of lines of business. One recent arrival is a subsidiary of a life company, another specialises in property business and a third handles professional indemnity insurance.

Although many have parents based in the UK, others are controlled from a variety of countries, including Sweden and Middle Eastern states.

The ideal captive for Guernsey has no more than a handful of policies (perhaps only one) and deals with a very few claims each year. Roger Hall says that the staff of six in his management firm look after 13 captives.

The slenderness of the resources required makes this very attractive business for the overcrowded island, in the eyes of Steve Butterworth.

"There's quite a lot of capacity," he says, "and this is an ideal area of expansion for Guernsey."

Barry Riley

Roydon Falla, president of Guernsey's Advisory and Finance Committee.

Expectations have dimmed slightly in the offshore finance industry, says **Barry Riley**

Business still brisk, despite cutbacks

THE PEAK of the boom may be over, but there is still plenty of life in the Channel Islands' offshore finance industry. And if the shadow of redundancies has dimmed expectations, that may be viewed as helpful in some quarters.

Job losses at J.P.Morgan, N.M.Schroder, James Capel and elsewhere have disturbed the pattern of continuous growth.

"There may be a psychological effect," says John Roper, director general of the Guernsey Financial Services Commission. "If redundancy news makes people more realistic about their own prospects, it may be no bad thing at all."

But the departure or contraction of US banks like J.P.Morgan (in Jersey) and Manufacturers Hanover (in Guernsey) may be more of a symptom of success than a warning of trouble.

Banks which arrived when the Channel Islands were relatively cheap and easy places to do business are now finding themselves faced with rapidly mounting labour and property costs, and are forced to grapple with ever-tougher barriers against expansion. It is scarcely surprising that some are conducting strategic reviews and are deciding that their business could be better conducted elsewhere.

In particular, the booking of commercial loans (especially in Jersey) has been in decline for a number of years now. Many banks have been moving away from this kind of low valued-added 'balance sheet' business towards private banking activities, including the offshore trust work which has been enjoying a beat-the-UK-Budget boom within the past few weeks.

High interest rates have bolstered private banking deposits, and after several years of stagnation Jersey's bank deposits have begun to grow quite strongly, from £26bn at the end of 1987 to £28bn last June and £31bn in December.

Guernsey has always been more oriented to the private sector, and growth picked up again in 1988, when deposits climbed by 9 per cent to £10.02bn, after a slight decline in 1987 when money was being sucked into the booming world stock markets.

Growth in banking has been increasingly restricted, however, by curbs on new licences and on expansion of existing operations. There has been no overall growth in licences in Jersey, although there has been a certain amount of reshuffling — for instance, where a single group has owned more than one licensed bank. Last year,too, the last remaining privately-owned local bank was mopped up.

Room has been made for the two biggest UK building Societies, the Halifax and the Abbey National, to set up operations to gather offshore deposits.

"The authorities decided that this was a market we ought to be in," says Colin Powell, Jersey's economic adviser.

Jersey insists that the door is not closed, but that any incoming institution must bring diversification into new sectors or new parts of the world.

There is some speculation that a Japanese bank might arrive, given that the Japanese are already becoming much more active in investment business in the Channel Islands.

"If one of the top Japanese banks was to knock on the door, it could be an example of an institution that would be accepted," is Mr Powell's carefully expressed view.

Over in Guernsey there are hints that a big international bank may in fact be seriously considering a local presence. But it will need to be an institution of substance.

"We are only interested in talking to the top 25 or 30 banks in the world about having a physical presence here," says John Roper.

To accommodate the ambitions of lesser institutions Guernsey has sought to promote the concept of the 'managed' bank, which transacts business in Guernsey, but does so through another bank (or possibly an agent, such as a firm of accountants).

John Roper, director general of the Guernsey Financial services Commission: there is more realism now.

Two managed banks have already been established for a couple of years, and in 1987 Mr Roper wrote to Guernsey's banks suggesting that they should go out and market the concept more widely.

He admits that the results so far have been "slightly disappointing" with only two more set up, but he insists that "it is the way forward for us."

It is possible that the managed bank idea might have certain advantages for the Japanese, who have proved reluctant to live in the Channel Islands, which they inevitably regard as culturally and geographically rather remote.

But according to Bill Perchard, a Jersey partner in accountants Deloitte Haskins + Sells, the managed bank concept takes "a lot of explaining to the Japanese." However, he adds: "The Japanese see Jersey as offering stability and standing. It's just starting to come over the Japanese horizon."

Mr Perchard, who advises banks and other institutions on the merits of the Channel Islands, is unhappy about the extent to which the territories are turning away from balance-sheet type business, involving big commercial loans, towards private banking.

"High net worth individuals are all very well, but let's try to be more imaginative," he argues. "Jersey should stay with the business which has been very profitable for us. The emphasis on fee-earning business requires banks to have more specialists locally."

But the official attitude remains that fee-earning activities should be encouraged. Certainly, there has been rapid growth in trust business, which is handled by accountants, lawyers and independent firms as well as by the banking institutions.

In the past few weeks there has been a rush of new business from the mainland, as fears have grown that there may be a crackdown in next week's UK Budget by the Inland Revenue on offshore trusts, which allow assets to be protected from taxation until they are brought back to the mainland.

Although trust business has proved profitable for the Channel Islands, there is some concern that the trust sector harbours undesirable operators and may perpetuate the kind of tax avoidance image which Jersey and Guernsey are attempting to shake off.

As a first step, plans are being laid to regulate the trust business, although there are problems given that practically nothing is known in detail about this shadowy sector, which is dispersed across a range of practitioners — "it is hard to think of a comprehensive way of regulating them," admits John Roper.

These regulatory plans illustrate the way that the once free-wheeling offshore finance industry in the Channel Islands is being steadily brought under stricter supervision. Banking and insurance were first, and now investment funds are being regulated, under the impetus of the need to respond to the UK's Financial Services Act.

In order to be able to respond, the finance industry is being forced to become more institutional in character. For instance, last month Guernsey's investment community formed the Guernsey Fund Management Association, with about 25 member-firms and a number of associate members.

According to Bruce Riley, managing director of Guinness Flight Fund Management in Guernsey, the GFMA is a response to new rules requiring banks to hive off their offshore fund departments into separately-run operations — "that caused many of us to feel that we needed our own voice," he says.

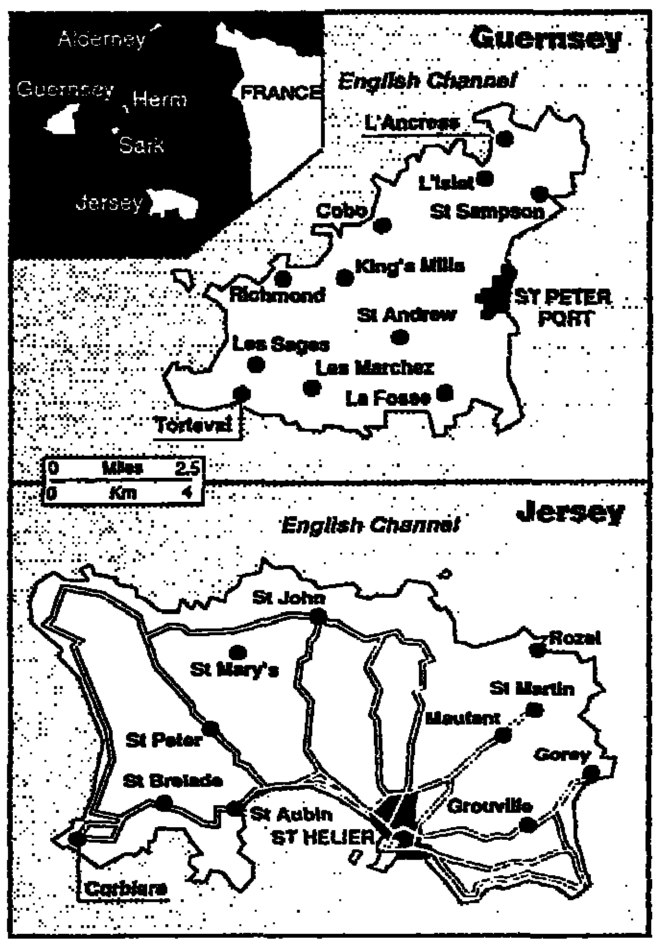
Guernsey's rapidly growing Financial Services Commission, set up as an independent body just over a year ago, is an obvious manifestation of the new trend towards offshore regulation.

"Dealing with a quango is preferable to a civil service," claims Nigel Taylor, investment superintendent.

But Jersey officials are sensitive to suggestions that the retention of regulation within the commercial relations department is in any way less efficient. They point out that the establishment of a separate commission in Guernsey relates as much to a political row about the disclosure of high salaries paid to regulators as to inherent regulatory advantages.

All the same, Jersey is considering structural reforms which might bring financial regulation under a new committee, following recommendations, 15 months ago, in a report commissioned from the management consultancy division of Peat Marwick McLintock.

Barry Riley



New regulatory plans indicate that the once free-wheeling offshore finance industry in the Channel Islands is steadily being brought under stricter supervision.

Nigel Taylor, investment superintendent: a trend toward offshore regulation

PENSION SCHEMES

Close similarities to the UK pattern

VERY MUCH like on the mainland, the personal pensions revolution has arrived in the Channel Islands. Modern legislation came into effect in Guernsey at the beginning of 1984 and in Jersey at the start of 1987.

Personal plans sold under these laws closely follow the UK pattern — but there are differences. For instance, in the Channel Islands, individuals may contribute both to occupational and personal pension schemes at the same time, with the proviso that the combined benefits will not exceed the maximum permitted.

Pension schemes, in the Channel Islands as elsewhere, are based upon tax deferral. Part of the tax framework (the attractive part) is that income tax is deferred on earnings paid into the fund, and investment income received by the fund also rolls up tax-free.

The less congenial part of the bargain is that the funds are locked away until retirement, and at that stage most of the benefit must be taken in the form of an annuity, on which tax is payable.

However, a limited proportion of the fund may be received as a tax-free lump sum.

Given the low (20 per cent) income tax rate in the Channel Islands, the tax shelter is less attractive than on the mainland. Also, there are annual contribution limits, which this year stand at £6,000 and £5,200 in Jersey and Guernsey, respectively. Finally, contributions are restricted to 15 per cent of pay compared with 17½ per cent in the UK (and higher after age 50).

The whole deal is therefore rather less generous than in the UK, especially for the higher paid, but nevertheless the personal plans have proved reasonably popular.

"Personal pension plans are particularly attractive to the many partnerships in the islands," says Rodney Benjamin, a partner in the Guernsey office of consulting actuaries, Bacon & Woodrow.

The business in mainly in the hands of branches of UK-based life assurance companies (and exclusively so in Jersey) but in Guernsey there is the option of placing contributions with trust schemes. These can be established by any group of eligible persons, but the Guernsey Retirement Annuity Scheme (GRATS) is open to all.

International pension fund arrangements bring a steady flow of business

Besides this local business, the Channel Islands are seeking to carve out a niche in the developing field of offshore pensions.

On the face of it, offshore pensions are something of an anomaly because since offshore funds are not liable to local taxation in any case, there is no very obvious reason why companies and scheme members would want to tie themselves down in an inflexible pension scheme structure.

However, the rapid growth of multinational enterprises which post senior employees from country to country has revealed the need for internationalised pension fund arrangements.

"There's a steady flow of business, mainly from UK multinationals, but also from elsewhere," says Rodney Benjamin.

The need for a mobile individual to be able to accrue pension rights while working in several countries, and then to receive the benefits possibly in a quite different territory where he chooses to retire, poses impossible problems for the typical corporate pension scheme which is firmly rooted in a single territory.

For instance, executives posted to unhealthy countries might wish to accrue rights rapidly and retire early. This might be difficult to accommodate within the structure of a normal scheme. After retirement, moreover, pensions might be subject to withholding tax, might be paid in an unsuitable currency, or might even be blocked by foreign exchange controls.

Why not simply accumulate savings in a tax-free offshore funds?

"Structuring savings as a pension plan may be more acceptable to the tax authorities in some countries," observes Rodney Benjamin.

Which is the better centre for offshore pension funds, Jersey or Guernsey?

There seems to be comparatively little in it, with Guernsey offering more in the way of life assurance expertise, but Jersey perceived to be more flexible about the percentage of benefits which can be taken as a lump sums — though the differences here may be narrowing in practice.

Barry Riley

A year of movement in the stockbroking community

Game of musical chairs brings a bureaucratic dilemma

THE MOBILE and sometimes unruly stockbroking fraternity has provided some dilemmas for the Channel Islands' bureaucracy in the past year. In the upheavals following first Big Bang in the London Stock Exchange and then Black Monday a year later, several firms have shut down, others have started up, and there has been a general game of musical chairs as local brokers have sought to find, or start up, firms offering more congenial and stable employment.

The good news is that several new firms have been established. For instance, the merchant banking group Brown Shipley last month launched Brown Shipley Stockbrokers in Jersey, adding to its existing chain of 20 or so regional stockbroking offices on the UK mainland.

"We didn't feel that the concept of the good old-fashioned agency broker was dead," says David Berkeley, chairman and managing director of the Brown Shipley group in St Helier. "The timing was perfect, when other firms were laying off staff."

Another start-up firm is Channel Islands Portfolio Managers, also based in St Helier. Despite its name, it is essentially a broking business, and claims to be reverting to an old stockbroking concept, but using modern technology. In less than a year its directors have attracted over 400 clients and CIPM manages, or advises on, around £100m of funds.

Both these firms have drawn heavily on the expertise of executives from other brokers.

The action is not moving all one way: one of the biggest London securities firms, Barclays de Zoete Wedd, has opened a Guernsey office.

These start-ups, in effect, form part of the a process of unscrambling many of the alliances put together pre-Big Bang.

For instance, Hoare Govett, the big London broker which is owned by Security Pacific, the Californian bank, bought a leading Jersey broker, Trevor Matthews and Carey. But last year Hoare Govett decided to move out of private client broking, and abruptly sold the business to the British & Commonwealth Merchant Bank.

All this, together with the *post-crash slump in business*, created such loss of morale that Hoare Govett in Jersey has been split apart. The Jersey business of another big London broker, Phillips & Drew, seems to have disappeared entirely. Two leading ex-P & D executives are now running CIPM.

Elsewhere, there has been less drastic retrenchment. In January, James Capel sacked 23 staff in Jersey and Guernsey and dismissed an associated settlement team of 30 in London. But the firm has declared *its intention to continue to* operate in both islands.

Meanwhile, the action is not all moving one way. One of the big London securities firms, Barclays de Zoete Wedd, a member of the Barclays Bank group, has opened a Guernsey office to service the Channel Islands.

Small and efficient brokers can still make a comfortable living in the Channel Islands. Andrew Lampert at Dean Witter (Canada) has built up an international clientele for North American stocks.

"Fortunately, we've not really been affected by the current overcapacity in stockbroking," he says. "By remaining small and cost-conscious we have stayed profitable every month since the crash."

Screen-based price services, fax machines and high quality *international telephone services* have greatly improved the capability of the offshore brokers. Against that, according to the chairman of one Jersey stockbroking firm, staff problems are "a nightmare."

After Big Bang and the crash, yet another recent mainland upheaval has created *problems for Channel Islands* brokers. Implementation of the

New technology is improving offshore brokers' capabilities

Financial Services Act last spring drastically changed the regulatory framework. Unless they join the Securities Association, firms in Jersey and Guernsey are unable to promote their services to mainland clients.

A consequential problem cropped up last August, when the old Stock Exchange compensation scheme was scrapped in favour of the broad financial services industry compensation plan operated by the UK's Securities and Investments Board. This left Stock Exchange member-firms in the Channel Islands, and in fact all overseas-based firms, uncovered.

One of the local brokers who *determined to do something* about this was David Bowen, of the Jersey firm, Jefferson Seal.

"We were obviously concerned that we could not tell our clients that if the worst came to the worst they would have a claim on a fund," he says.

Accordingly, he joined a Stock Exchange working party which was able to set up a new partly insured scheme for member firms in the Channel Islands and Ireland. This could prove a useful marketing safeguard for stockbroking firms like Jefferson Seal which focus on doing business with expatriates all round the world: London member firms in other countries are still uncovered.

Barry Riley

The feudal isle of Sark: financial shock for many residents.

Air of disbelief on the small island

Sark's lark killed off

SARK'S 'lark' – the bird that laid golden eggs for many of the 520 inhabitants of the 1,274-acre feudal isle – has been officially killed off.

On January 1, Guernsey and Jersey introduced a new category of tax-exempt non-resident company that can be wholly run from within the islands.

The move is designed to end the so-called 'Sark lark' which arose from the previous need for such companies to show they were controlled from outside. The majority recruited directors from Sark's still essentially rural community and held their board meetings there, often over a leisurely lobster lunch.

In Sark, there is an air of disbelief that the easy pickings are really over, especially as there will be no overnight transformation. Existing non-resident companies have a year's grace to re-arrange their affairs. Some Sark directors say that, in any case, more companies registered in the *Isle of Man, Gibraltar*, Panama and elsewhere are making use of their services.

Because few talk about it, the full extent of Sark's lark is unknown. But many thousands of companies are nominally controlled from this sleepy isle *where there is no company* law, where cars are banned and where the constitution has altered little since Helier de Carteret, the first Seigneur, colonised it under the patronage of Elizabeth I after driving out the pirates.

At £100 to £200 a year, Sark directors – particularly a husband and wife team – have little trouble in collecting an annual income of around £10,000. Some islanders believe that the earnings of a top flight handful are upwards of £100,000.

Most Sarkese are resentful about what they have dubbed 'the Guernsey grab,' claiming that the larger island simply wants to divert fringe benefits, such as the lobster lunch trade, to its own territory.

But both Guernsey and Jersey were under pressure to get rid of the Sark 'rent-a-director' business, which has cropped up continually to cloud the Channel Islands' reputation as a responsible finance centre.

Mr Michael Beaumont, the hereditary Seigneur, is surprised that Sark's 'bubble' has lasted so long. He points out that, with no income tax, the wealth of residents is unrelated to general revenue, so the lark's demise will have no direct effect on the island's budget.

Nevertheless, the decline in directors' fees will mean less money for island children's private education at boarding schools and colleges, and is also worrying resident who have taken out mortgages or home improvement loans on the strength of such earnings.

Other islanders, meanwhile, are resigned to taking no more exotic holidays abroad and to downgrading their choice of weekend joint.

The end of the Sark lark has been welcomed in Alderney, which is making a spirited bid to establish itself as a base for overspill finance business from Jersey and Guernsey.

Alderney is much the same size as Sark and is similarly part of the Guernsey Bailiwick with a measure of self-government. But it is more sophisticated.

Most of its 2,200 population live in or around the cobbled streets of the little town of St. Anne, and the island has its own airport, a nine hold golf course and a separate company law.

Tax revenue from wealthy settlers (at Guernsey's rate) and tourist trade have enabled Alderney to pay its way, and it is only recently that the island has sought to broaden its economic base by attracting offshore finance business.

At the end of last year the finance house of Dubarry Trustees set up in St Anne and a UK building society is expected to move into the newly built Ollivier Court shortly.

These developments, together with a number of promising inquiries, are seen as a sign that Alderney's campaign to show its suitability as an alternative Channel Islands location is beginning to bring results.

One advantage, compared with Guernsey or Jersey, is that the island has no housing restrictions. Property prices compare favourably with those of 'open market' houses in Guernsey available to newcomers.

Aurigny Air Services, based in Alderney, provides year round links with the larger Channel Islands and with Southampton, and it is possible to be in the City of London two hours after leaving St. Anne.

Local businessmen point out that Alderney is in as good a position as the *other islands* to handle, say, the administration of an offshore fund for a smaller insurance company, since it shares all Guernsey's telex, fax and computer link facilities.

On the supervisory side, *Alderney is covered by Guernsey* legislation such as the depositors', insurance business and investor protection laws, while Guernsey's Financial Services Commission is responsible for overall regulation of the Bailiwick's finance industry.

Office accommodation is available, notably at the new Ollivier Court complex, due to be officially opened in April, which has 17 office suites and a conference room built round a courtyard. Mitchell & Partners, the agents, say that the rent is £50 a week for ground floor offices and £40 for first floor offices.

Meanwhile, the general attitude of Alderney's inhabitants to these developments is summed up in the words of its best-known resident, the cricket commentator and wine connoisseur John Arlott, who says that, though financial activities are set to grow, they will never be allowed to swamp the island's character.

Willie Murray

Regulations control prices and who can - and cannot - own property, says **Robin Reeves**

Jersey housing laws under fire

MR CLIFFORD JONES, the energetic managing director of Jersey estate agents, Broadland Estates, is campaigning for the abolition, or at least drastic reform, of the island's draconian Housing Laws.

The present system of strict Government controls over the housing market is iniquitous, he says.

"In a democracy, people are entitled to a free housing market. Why should they be told the price at which they can buy or sell their property?"

Last year, Mr Jones together with a number of the island's estate agents ran a questionnaire in the local newspaper asking people their opinions on the local housing laws – "over 2,000 were in favour of abolition and only four were in favour."

Even more worrying, Mr Jones says, was the number of people who refused to give their name and address on the grounds that they feared they might be "victimised" should they wish to sell their house.

Jersey's housing laws, like the infamous Control of Undertakings and Developments Law, are an immigration control measure, designed to ensure that the indigenous population of the island is not priced-out of its own housing market.

The laws not only determine who, and who cannot, own property in Jersey, but also regulate the price at which residential property may be bought and sold. The controls pre-date the recent finance industry boom. The initial legislation was introduced in 1949 and enacted in its present form in 1970.

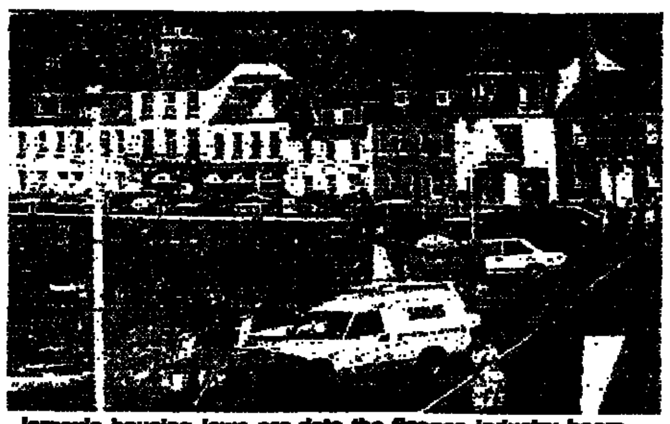
Mr Henry Vandervliet, avuncular President of the States (Parliament) of Jersey's seven-person strong Housing Committee, stoutly defends present arrangements. He argues that they have helped Jersey to avoid the worst excesses of the house price inflation of the South-East of England and East Anglia.

"Nobody has proposed anything better. The present arrangements would be difficult to improve," he says.

He concedes the laws were challenged in the European Court of Human Rights – "but the court found in our favour. It accepted that unless we preserve housing and building land for the local inhabitants, the whole island could sink into the (English) Channel."

Mr Vandervliet stresses that the rules are interpreted humanely, not least because Jersey cannot afford to fall foul of the European Human Rights Convention.

But without controls, Jersey would quickly be turned into one vast suburb by the demands not just of a rapidly-growing immigrant population, but also by growth in holiday homes among the rich and well-to-do. While Jersey welcomes comparison with Hong Kong as a financial centre, it does not want the Chinese colony's housing problems.


Jersey's housing laws pre-date the finance industry boom.

Under the housing legislation, as a general rule only persons born in Jersey – or their offspring – have the right to buy or lease property on the island.

The main exceptions are key professional workers, such as bank managers, doctors, and dentists who are granted the right to lease a property after 10 years and to purchase freehold after 20 years.

Jersey also offers, as is well known, the right of residence to a limited number of millionaires. The permitted annual intake used to be 15. More recently it has been cut to five. These "Category K" persons are permitted to buy one of a select range of properties, having satisfied the Housing Committee of their financial and social worth.

This means-test investigation includes how they acquired their wealth – an important consideration from the point of view of maintaining Jersey's international financial reputation.

Other people wanting to live in the island must either stay in lodgings (those which residency rights are allowed to take upto a maximum of five lodgers), in short-lease rented accommodation, or in accommodation owned by their employer.

This means that the many Scottish buildings workers and Portuguese hotel staff, for example, can only acquire a stake in the local housing market by marrying an islander.

The States housing committee is charged with ensuring not only that the island's property is occupied by those legally entitled to do so but also with approving the prices at which dwellings are bought and sold.

Details of every transaction have to be registered at Jersey's Royal Court.

According to the criteria used by the committee, the right price for a house in Jersey is its current replacement value using the same building materials, plus an amount for the building plot, the fixtures and fittings and the professional fees arising from the transaction.

If the committee is in doubt, it sends a quantity surveyor to value the property.

"If the proposed price is disputed, then it is referred to a special board of quantity surveyors," Mr Vandervliet explains. And if, at the end of the day, the vendor doesn't like the price set, he or she is always at liberty to withdraw the property from the market.

As well as regulating prices, the housing committee is also a major builder of houses – it is responsible for some 30 per cent of the island's housing stock. It also provides cheap mortgages at a rate of interest of between three per cent and 10 per cent for the indigenous population.

Mr Vandervliet accepts that these controls have not solved Jersey's housing problems. He stresses that there is no problem about housing essential employees, but the growth in the number of households which has been fuelling housing demand in the UK generally is creating difficulties, as is the problem of finding additional building land.

The Island Plan approved in 1987 envisaged the demand on the States housing sector being met by construction of an extra 2,000 States housing units for rent or purchase by 1995, when the population was expected to have reached 80,000. The 1986 census however showed that the population was already in excess of that figure and that the housing requirement was 1,250 units out of date.

The Island Development has responded and identified additional land for extra housing units. The revised plan is due to be published shortly. But, Mr Vandervliet admits, the impact will not be immediate.

"We have got between 600 and 700 families housed in inadequate, rented accommodation and I don't see the problem being eased for another three to five years," he adds.

Back at Broadlands Estates, Mr Jones is unimpressed. He argues that the bureaucratic regulation of the market is exacerbating the island's housing problems by discouraging people from moving house and landowners from releasing land zoned for development.

"I have had people in my office in tears over the price set for their property by the committee. They have been forced to call off deals that were agreed with a willing purchaser and stay put because the price decided by the committee is inadequate."

Mr Jones has on occasions challenged the housing departments valuation.

"Last April, it valued a property at £69,950. After we questioned it, the department came back in June with a price of £78,948 – simply because someone took it to task."

If there is to be regulation housing market, Mr Jones would like to see Jersey adopt a system closer to that operated by Guernsey.

"Our Guernsey office doesn't have anything like to same problems," he adds.

Tighter controls on housing are proposed

Prices fall on Guernsey market

HOUSING PRICES on Guernsey's 'Open Market' have fallen by about 15 per cent since last autumn, according to Mr Ben Lovell of Guernsey estate agents, Lovell and Partners.

A property purchased last year for £700,000 has just sold for £650,000, a price which, he says, is the typical current going rate for a three-bedroom, two-bathroom Guernsey bungalow, set in half an acre, with sea or country views.

The island's Open Market consists of some 1,800 properties, 10 per cent of the total, and placed on a special register in 1969 (the majority were selected on the basis that they had a rateable value of £50 or over in 1962) and which are available to anybody to buy, sell and occupy.

The remaining 90 per cent of residential properties on the island are reserved for the Local Market, in which current prices vary from £88,000 for a two to three-bedroom terraced house on the outskirts of St Peter's Port, needing money spent on it, to £350,000 for a farmhouse with outbuildings. Again, prices have fallen back 10-15 per cent in the face of the recent high level of interest rates.

Local market property can only be occupied by people born and bred on the island or their offspring - or immigrant workers who have been licensed to do so by the States Housing Authority; though if they stay for 15 to 20 years, the latter also gain residential status.

Although Guernsey's housing laws are ostensibly less complicated that Jersey's, this has not prevented a political row breaking out over recent moves to tighten them in an effort to stem the island's population growth.

Population concern was triggered by the 1986 census which showed the population had shot up to 55,482, compared with 53,300 in 1981. It is now thought to be around 59,000 in a land area of only some 24 sq miles.

Guernsey's housing laws are less complex than Jersey's regulations

The Housing Authority is proposing to the States to:

- Grant seasonal immigrant workers licences to occupy Local Market accommodation for only 9 months at a time, after which they must re-apply.
- Give hotels, open all the year round, the option of three-year licences for workers, who thereafter must leave the island for good.
- In exceptional circumstances, grant key workers residential licences for up to five years.
- Place upon employers the obligation to ensure that their migrant staff are legally housed.

Mr Lovell, who is also President of the Housing Authority, is confident that this tightening in the regime will stabilise the growth in the island's population. He also feels the alarm of the hotel and tourist industry is misplaced – "statistics have shown, for example, that 82 per cent of those employed by the tourist industry leave within three years, anyway," he adds.

The legislation to implement the proposals is due to go before the States in April.

Significantly, however, an additional proposal to introduce a law comparable with Jersey's Control of Undertakings to limit business formations and expansions has already been rejected.

Unlike its neighbouring bailiwick, Guernsey has had had experience of unemployment in the relatively recent past. For all its worries over population growth and the pressures on its finite stock of housing, it has drawn the line at adopting such a drastic measure.

Robin Reeves

New courses in further education and management training

Moves to upgrade the workforce

ALTHOUGH the Halifax, Britain's biggest building society, has a presence in Jersey (following its takeover of a local financial institution) which it employs to attract deposits from around the world, the society has decided against offering house mortgages locally.

"The local mortgage market is small and well-served by the banks – and then there is also the problem of securing staff," explained a society spokesman.

A Halifax branch without a mortgage department provides just one startling example of how Jersey's policy of seeking to stabilise the population, by licensing business formations and expansions and controlling housing, effects one leading financial institution.

The local labour market could hardly be tighter. Jobs in the island's traditional industries, such as agriculture, construction, and the hotel and tourism sectors are now largely staffed by immigrants on short-term contracts.

"It is perhaps easier to get a meal and a drink in a local hotel or hostelry if you speak Portuguese or Scots Lallans, than English or French," says one observer.

Local school-leavers with few qualifications are able to walk into some relatively well-paid jobs in banking. Others are in jobs with qualifications below those which would necessary to hold down a comparable job in the UK.

Salary inflation is also a problem, fuelled by the ability of staff to flit from one job to another for an extra £500 at a time – though some employers insist that this is now less of a problem than it was.

The way forward for the island's economy, according to Mr Colin Powell, the island's powerful Economic Advisor, is through "business growth without people growth" – in other words, the island must upgrade the value of its goods and services without increasing the numbers employed, a task which poses a particular challenge to Jersey's Highlands College of Further Education and its Management Training Centre.

The islands seek to curb population growth with tighter immigration controls, improved workforce training and increasing use of new technology

There is no lack of enthusiasm. According to Dr Michael Guillou, Highlands' Principal, course enrollments at the college now total 8,000 annually – some 10 per cent of the population.

Each department also has its own industrial advisory panel designed to ensure courses are reflecting the changing needs of the local economy – "there is a tradition of participating in public affairs in the island, which spills over into education and training," he says.

Typical of the courses designed to meet the needs of the island's finance industry is an 11-week evening class in company and trust administration which, if economics is included, gives students the opportunity to gain exemption from Stage One of the Chartered Institute of Bankers Trustee Diploma.

But the most dramatic reflection of Highlands' response to the needs of Jersey's 'over-employed economy,' has been a sharp growth in the number of self-financing, short training courses and seminars, designed to suit local company needs and arranged through the college Management Training Centre.

Mrs Anne Watkins, the director, calculates that the centre last year ran a total of 97 short courses on subjects ranging from simple office skills to marketing, which were attended by 1,100 people. The centre is now being used on a regular basis by 150 companies, some of whom are considering putting the bulk of their training requirements into the hands of the centre.

Even so, Mrs Watkins and Mr Dick Green, Development Officer of Jersey's Advisory Training Council which, with a budget of £0.5m underwrites the cost of many of the courses, stress that there are still many more companies to be sought out.

"There are 3,000 employers on the island, 2,000 of which are significant and would benefit from training services," says Mr Green.

The Training Council's remit extends to grant-aiding training courses outside the island if the skills to be acquired are deemed useful for the development of the island's economy.

So important is its work considered that the States is considering making the Advisory Training Council self-funding through the introduction of an annual levy of £10 per employee which would be clawed back by employers for training arranged or given. However, the proposal is a controversial one – many employers are opposed – and Mr Green concedes that it may not be implemented, though he believes it would provide an invaluable spur to the development of the island manpower skills.

One consequence of the growth in the finance industry has been a sharp decline in the number of school-leavers opting to acquire the traditional craft skills. Highlands currently has only 31 students on craft courses compared with 79 in 1981.

As a consequence, explains Mr Brian Le Marqand, managing director of the Le Brun's Food Group and chairman of Highlands' Management Centre industrial committee, his industry for one is having to replace many apprentices with Portuguese workers on eight month contracts.

In Guernsey, on the other hand, an apprenticeship scheme in traditional craft skills launched during the 1960s with the establishment of the island's College of High Education is alive and well, says Mr Bryan Cheetham, Vice Principal of the College.

Like Highlands, the Guernsey college maintains close links with local industry through a series of advisory committee and currently has 5-600 apprentices under training with 400 registered employers who guarantee a satisfactory level of training over a period of 4-5 years.

The States offers employers an incentive in the form of a block grant in the early years of apprentice and financial compensation for the day-release of apprentices.But equally, it is a sign of the times that the college is seeking to accelerate the time taken for apprenticeships, initially in catering and motor vehicle engineering and thereafter construction and electronics, by persuading employers to agree to block release.

Efforts are being made to raise the value of goods and services without increasing the numbers employed

The growing number of day-release courses - they have shown a 9 per cent annual increase over the past three years - underpin a wide range of the professional skills now required by young people working in the island's financial sector. On top of that, the college is increasingly in the business of laying on self-financing short courses for local industry.

"Whereas 15 years ago, the aim was to ensure an adequate level of vocational training for Guernsey youngsters, there is now much more pressure to provide a service to indigenous industry and train local people to do the jobs available," Mr Cheetham adds.

Robin Reeves

Robin Reeves looks at new marina developments

A waterfront conundrum

JERSEY is, by common consent, in urgent need of a major new marina. The surrounding French and English coasts are now peppered with marinas, housing boats for whom the Channel Islands are the perfect cruise destination.

Sailing craft leaving the port of St Malo or Granville with the tide, for example, can arrive in St Helier in six hours, and during the summer 100 boats at a time do so. Yet satisfactory anchorage space when they reach the island is strictly limited.

In contrast, Guernsey, which also benefits from being an ideal stop-over for craft sailing between northern Europe and the Mediterranean, is able to do its many visiting yachtsmen proud. It recently completed an £18m, 860-berth marina along St Peter's Port north beach, which is to be officially opened by the Queen in a few week's time.

The new facility has been largely filled by local boat owners but this has made ample marina moorings available in the old harbour, which is ideal for visiting yachtsmen; they can step ashore into the town centre.

In addition, Guernsey has a smaller, privately-owned marina which was created recently in a disused quarry on the island's north coast by dynamiting away the rock wall which separated the quarry from the sea. There is also the possibility of further marina facilities being built in St Sampson's harbour as part of scheme which has just been mooted to extend the harbour's industrial moorings.

That said, Jersey is not short of marina proposals. One is the centrepiece of one of the biggest private investment scheme ever contemplated in Jersey. Known as the Havre des Pas marina village project, it would add a new dimension to the town of St Helier, by creating a maritime village on reclaimed land, as well as a 1,000 berth marina, to the east of the present harbour.

Half the 100 acre site would be given over to five marina harbours, accessed through a tidal lock. Other features include a 50-acre village of 900 housing units, of which up to 400 would be time-share self-catering units, a swimming beach, covered sports facilities and a landscaped hill to shield the area from the fuel farm serving Jersey's oil-fired power station. Although it is nearly two years since the scheme, involving a capital investment of £80m-£100m, was first put forward, it is still awaiting outline planning consent.

Another marina scheme is under consideration in St Aubin's Bay just to the west of the harbour's Albert Pier. This is being looked at by the States (Government) of Jersey as one potential use for an area close the town centre, which is currently being reclaimed from the sea by dumping the island's inert non-combustible rubbish and waste material. (Another potential demand on the area is for a multi-storey carpark to ease the town's parking problems.)

The States was responsible for constructing Jersey's first marina in the late 1970s in a reclaimed land area at La Collette, which although not ideally located and regarded as only temporary has nevertheless proved very popular.

According to Mr Roy Bullen, St Helier's harbour-master, it was sold out in six months and there is currently a six to seven-year waiting list for marina berths.

The two new marina schemes are not necessarily mutually exclusive. Observers believe that there may sufficient demand to justify construction of both.

But other considerations have loomed into view in the past twelve months which have prompted the island's legislators to pause for thought. One is a demand from the Jersey Electricity Company for the construction of a new coal-fired power station at St Helier to augment its existing oil-fired plant, on a site overlooking the proposed Havre des Pas marina village.

The other is the realisation that the present St Aubin's Bay land reclamation tip could run out of space before 1994 – its originally designated lifespan – and that a new reclamation area somewhere else around the harbour may well be the only realistic option for disposing of the island's non-combustible rubbish in the 1990s and beyond. This new land reclamation – in deeper water beyond La Collette is the most obvious option – could clearly open up another marina possibility.

But, more importantly, the States and its Island Development Committee has come to realise that sheer scale of developments now being contemplated around the St Helier harbour area is raising aesthetic, hydraulic and environmental questions which need to be answered before decisions can be taken about marina developments.

The upshot has been the setting-up of an advisory committee of local community, business and environmental interests under the chairmanship of Mr William Whitfield, the architect and planner, which is charged with drawing up a strategic plan for the future development of the whole St Helier waterfront area. Mr Whitfield is highly experienced in this field, having acted in a similar capacity for Bath and Durham.

Another factor of relevance is the potential impact of the various options on tidal flows. The IDC has just commissioned Hydraulic Research Ltd at Wallingford to study this key dimension of the various proposals

But ultimate decisions on the Whitfield committee's recommendations will lie with the IDC and States. This suggests that it could be at least a year before there is any decision which will lead to an easing of Jersey's chronic shortage of marina berths.

The joker in the pack is the proposed new coal-fired power station, which is currently the subject of an assessment study by consultant engineers, W S Atkins. The basic argument in favour is that it will provide the island with significantly-cheaper power than its present oil-fired station and also add diversity to its energy supplies.

But there are alternatives. Jersey currently buys some of its electricity needs from France via an undersea cable. The island could undoubtedly secure additional supplies at a very attractive price from the largely nuclear power-based French grid, if it was mindful to do so.

The joker in the pack is Jersey's proposed new coal-fired power station. If the project goes ahead, it will literally overshadow the Havre des Pas marina site

Another option would be for the island to link into the Continental European natural gas, again giving it the advantage of greater diversity of supply.

There is, however, a strong political and emotional reluctance in the island to become dependent upon the French mainland for all but a marginal proportion of its energy supplies. Even in today's inter-dependent world, the conventional wisdom seems to be that this would compromise the island's status of independence under the crown.

The trouble is that if the coastal-fired station goes ahead it will literally overshadow the Havre des Pas marina project. The designated, and in practice probably the only conceivable site for the new facility is next to the existing oil-fired power station, overlooking Havre de Pas.

It will be difficult to attract the large sums necessary for the marina village if it turns out to be just downwind of a new power station handling thousands of tonnes of coal and ash each week.

Not surprisingly, therefore, the Havre des Pas consortium is hoping the coal-fired station will be given a firm thumbs Mr Richard Falle and Mr down in the W S Atkins report and that the island decides instead to opt for one of the other energy options.

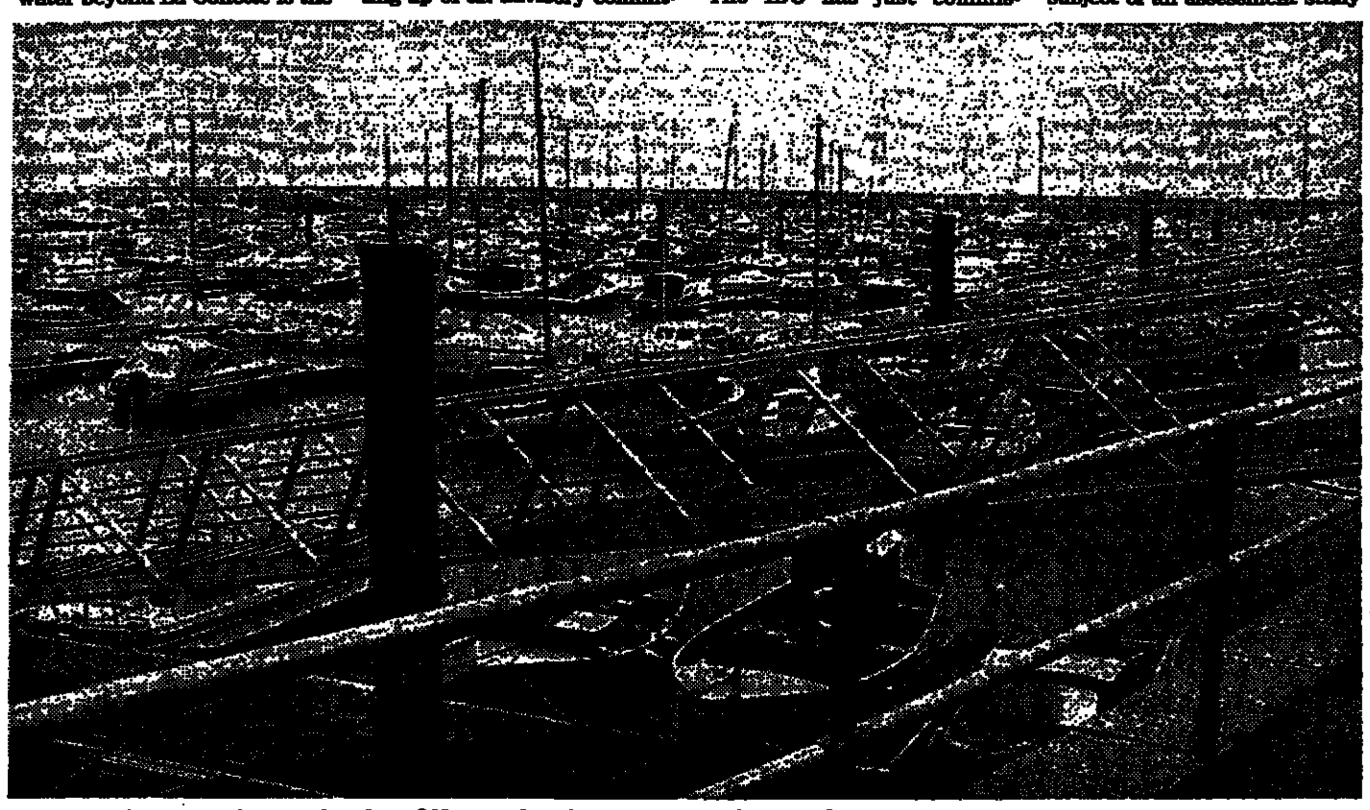
Mr R.J. Steven, chairman and managing director of Jersey's Ann Street Brewery Co., who recently joined the consortium founders, local advocate George Carter, to promote the scheme, argues passionately that the island would be foolish to choose the new coal-fired station in preference to the marina.

The belief that a coal-fired station will maintain the island's energy independence is a myth, he says. It would be simply mean dependence upon the imported raw material – coal – creating a serious pollution problem, rather than upon the finished product – electricity.

As befits the head of the company which has also been behind the development of Guernsey's highly successful St Pierre Park hotel and gold course, he also argues that it is more important for Jersey to update its tourism industry which, as well as requiring substantially more marina capacity, is also virtually devoid of self-catering accommodation, now favoured by one third of British holidaymakers.

"Havre des Pas is just the kind of bold, imaginative scheme which Jersey needs to update its tourism facilities and contribute towards desperately needed new housing provision on the island," says Mr Steven.

But it looks like being up to another 12 months before it becomes clear if the Whitfield committee and the States – not to mention W S Atkins, the Jersey Electricity company, and Hydraulic Research – agree.



Guernsey has recently completed an $18m marina development at St.Peter Port.

Sea transporters fight back

Boost for air services

THE GROWING popularity of travelling to and from the Channel Islands by air, as opposed to sea, has been the dominant feature of the archipelago's transport scene for several years.

Last year just under 2m passenger movements were recorded at Jersey's Airport. At almost 130,000 more than in 1987 – its golden jubilee year – this is a 7 per cent increase.

According to Senator Bernard Binnington, president of the Jersey Harbours and Airport Committee, last year was the fourth successive year that annual Airport passenger movements, representing 'a good mix' of tourist and business travellers, have increased by over 100,000.

Actual aircraft movements of all kinds, including charters, offering 85,000 seats, increased from around 85,000 to over 90,000.

In Guernsey, whose airport celebrates its golden jubilee in May, the pattern is similar, although the carrying figures are smaller, including those for charter services.

Of a record 1.1m air and sea passenger movements, 825,338 were air travellers, 52,018 more than in 1987. Aircraft movements totalled 48,500, against 42,700 in 1987.

At 312,721, sea travellers to and from Guernsey numbered only about half the totals recorded five years ago.

One of the reasons for the swing from sea to air travel has been the disappearance of British Rail's daily scheduled UK Channel Islands ferry services, with their cheap fare structures for BR employees.

However, the islands have also benefitted from the continuing worldwide boom in air travel, plus a trend by airlines to introduce faster, quieter, larger, short take-off and landing-type, pressurised jet aircraft on the main UK Channel Islands routes: London, Gatwick, Southampton and, lately, Manchester.

In Jersey, the new aircraft include Boeing 757s and 787s, 400 series, carrying up to 200 passengers. The 100-seat BAe 146 has also been welcomed in both islands and, apart from its use on several UK-CI routes, will be introduced on May 6 by Air UK on a weekly scheduled Zurich-Channel Islands service.

The Channel Islands now have regular air links, some using 68-seat ATP aircraft, with all major commercial airports throughout the UK, including Scotland and Northern Ireland, although, in some cases, services are for summer time only.

Progress is also being made in developing additional direct air services to European cities, notably Amsterdam, Frankfurt, Dusseldorf and Paris.

What is surprising, perhaps, in view of the increasing volume Channel Islands and Isle of Man business travellers, currently routed through Heathrow or Manchester, there are, as yet, no direct scheduled air services between the two offshore centres.

One of the success stories of the Channel Islands transport scene continues to be that of Aurigny Airlines, operating inter island services and some Southampton/ Bournemouth/ Cherbourg services by Trilander aircraft.

This summer, the airline – which is 21 years old – plans at peak times to introduce flights every 15 minutes, instead of half-hourly, between Jersey and Guernsey and to increase its Alderney services.

Aurigny's 'sister' company, Guernsey Airlines, a UK-CI operator, is considering introducing Dash 8300 series aircraft in about two years' time.

The shift to larger, modern aircraft on external routes, however, while not creating a need for longer runways in either Jersey or Guernsey, has put increased pressure on existing Airport handling facilities, particularly at weekends.

In Jersey, a study is currently being undertaken by British Airport Services and Senator Binnington is envisaging further substantial investment, mainly in equipment.

In Guernsey, the need for a new passenger terminal releasing the existing building for airport and airline office accommodation has been identified at an estimated cost of some £7m.

The island's Board of Administration, responsible for Guernsey's Airport and its two harbours St Peter Port and St Sampson's has already invested £21m improving facilities at the former venue. A £30m project for expanding St Sampson's Harbour, a more commercial port, needing deep-water berths, is planned.

At St Peter Port, a new 850-berth marina has been completed and will be officially opened, in late May, by the Queen. There are also now two ro-ro ramps, spacious new customs facilities and a new fishermen's quay.

There has been £18m worth of investments on greatly improved ferry, passenger and freight handling facilities at St Helier Harbour.

In keeping with a policy of encouraging the use of larger aircraft, these harbour investments have spurred the introduction of larger ferries.

Previously, ferry operators were restricted to vessels with a maximum length of 112 metres, but the new facilities allow ferries up to 130 metres in length to be accommodated.

The principal operator, British Channel Islands Ferries, has responded by introducing the largest-ever car/passenger ship on the route. Named *The Rozel*, the 8,987-ton vessel carries up to 1,400 passengers and 300 cars. It is to be joined on 25 May by another new ferry the 3,382-ton Havelet.

BCIF, which has manfully filled the gap left by the departure of Sealink, have switched its UK passenger terminal operations from Weymouth to Poole, leaving Portsmouth as the chief terminal for UK-CI freight operations.

Sealink still operate a summertime, UK-CI-Cherbourg service and a new UK-CI ferry operation by Weymouth Maritime Services is due to start in May between Weymouth and the islands.

It will use a former Norway-to-Denmark ferry, *The Bohus*, to be renamed *St Julian* and carry up to 550 passengers, 75 cars and 15 12-metre trailers. The operating company also plans a winter Weymouth Cherbourg service.

Another new vessel, *Solidor Two* with space for 600 passengers and 90 cars, a greater capacity than its predecessor, is due to appear on the Emeraude Ferries, CI-St.Malo services from this April.

Torbay Seaways are expected to continue their Torquay-CI services this year, as is Service Maritime, a French-owned company that carries thousands of passengers into the islands from Cherbourg and Carteret.

If this is not evidence enough that sea transport operators are fighting back against airline competition, Britain's most successful passenger hydrofoil company, Condor Shipping, of Guernsey is extending the length of its Weymouth-CI season this year, as well as maintaining high frequency inter island and St Malo CI services.

The company, which also uses a 300-passenger, high-speed, water jet catamaran, expects to carry over 400,000 passengers on all routes this year – its 25th. It passed its five millionth 'customer milestone' last year when it carried 85,000 on its Weymouth-Guernsey services.

Bob Baker

Trevor Humphries

Nearly 2m passenger movements – a record – were made at Jersey Airport last year.

Bob Baker reports on the expansion in postal and telecommunication services

The boom years continue

WITH the exception of philately, which has generally seen a downturn of interest worldwide, the independent postal and telecommunications services of the Channel Islands continue to enjoy a series of boom years.

Boosted by the finance industry-led economic growth which until recently was growing at up to 10 per cent a year in real terms, these essential services, particularly in an island context, are handling increasing volumes of business at record-breaking pace, relatively cheaply and profitably.

In 1987, the last year for which statistics are available for all these services, Jersey's Post Office handled 30.5m letter-postings alone, an increase of nearly 4m on the previous year.

Both Jersey and Guernsey postal systems are handling increasing volumes of mail order and sale-by-post traffic.

The number of letter bags received in Jersey was 98,713, against 89,642 in 1986 and 78,070 in 1985. The number of parcel bags received made another record at 121,646.

Around 84 per cent of inward first-class letters delivered daily had been posted the previous day and 84 per cent of inward second-class mail was delivered by the third day after posting.

Including philatelic profits of £425,370 (earned on a turnover of £1.4m), the Jersey Post Office produced a record profit of £2.06m – the £1.6m attributable to Post Office and Mails was the largest-ever.

To maintain services and profits, the Jersey Post Office (an island government department, unlike its 'sister' operation in Guernsey where it is a self-financing, autonomous trading undertaking) is planning a new postal complex in St Helier, with increased mechanised handling.

The project, approved by the island parliament late last year, is expected to be completed by 1993. This is seen as the way to maintain and improve efficiency, without a big increase in manpower, and was suggested by the British Post Office Consultancy Service as long ago as 1985.

Guernsey's Post Office completed its own, purpose-designed £4.5m headquarters in St Peter Port, five years ago – but, even so, it has since had to increase its parcel-handling facilities.

During 1987, its sorting staff handled nearly 16m inward and outward postal items, including parcels which, on occasions, have even included a settee and a large tractor tyre, sporting an addressed label tied on with a piece of string.

Both Jersey and Guernsey Post Offices use roll-on, roll-off ferry services for parcel carrying and, while Jersey uses scheduled air services for letter mail, Guernsey uses a chartered carrier operating from Luton Airport.

Weather and technical hitches willing, inward mail arrives in Guernsey between 6.0 a.m. and 6.30 a.m., most mornings. The latest posting time for outward mail is 4.15 p.m.

Jersey and the British Post Office are currently requesting their joint mail and newspaper carrier, TNT, to arrive by 5.45 a.m.

The latest outward posting in Jersey, largely because of higher volumes, is 3.30 p.m.

Guernsey's Post Office, which is also responsible for postal services in Alderney, Sark and Herm, has around 38,000 philatelic standing account customers worldwide.

The number is roughly the same in Jersey and continues to make profits of some £250,000 a year, although in the past these have reached as high as £1m.

Since 1969, when the two islands gained postal independence from the UK's former GPO, Guernsey's Post Office has voluntarily contributed approaching £10m worth of philatelic profits to the island government's general revenues.

In 1987, Guernsey Telecoms produced a trading surplus of £3.6m against £2.9m the previous year, and saw its gross income rise from £7.3m to £8.5m.

In Jersey, a profit of £5.9m (£4.9m 1986) was achieved on gross income of £18.7m (£15.7m).

Considerable investment, averaging £4m a year in Jersey alone, continues to be made upgrading exchanges to "System X" throughout the islands.

Various projects are introducing the latest equipment, including transverse screen and fibre optic networking and data communications for customers and improving submarine cable, along with British Telecoms, with microwave links with the outside world.

A new £10m digital fibre optic cross-Channel submarine cable has recently been completed and is on test.

Jersey is about to commission a new 140 megabyte, digital 2,000-circuit microwave link with France and the UK which should provide, among other things, 100 per cent back up for the Channel Islands, should the submarine cable links fail.

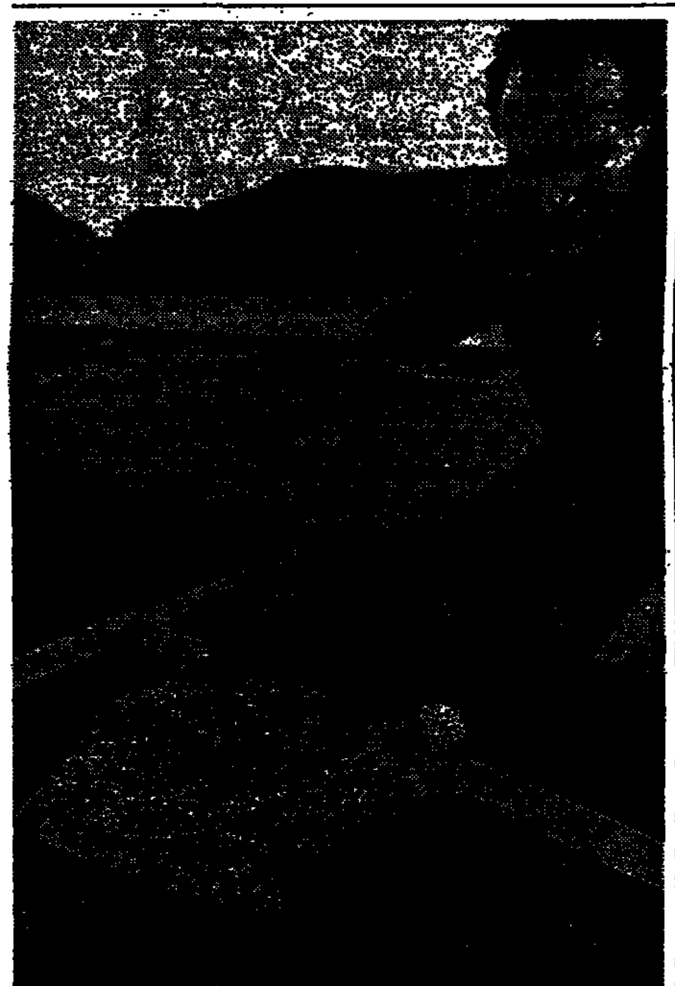
Jersey's 45,000 subscribers are charged at 3.9p a unit and Guernsey's 31,000 are charged at 3.5p, in each case with unlimited time on local calls, against the UK rate of 5.2p a unit.

For this, they have direct trunk dialling to all parts of the UK, international dialling to 185 other countries, plus telex to some 220.

The use of facsimile services, telephone pagers and cellular phones is increasing in the islands, along with all forms of modern data communications systems. Guernsey users of SWIFT (Society for Worldwide Interbank Financial Telecommunications), for example, transmit over 100,000 messages a year.

By this summer, both islands will be offering Megaline and Kiloline high-speed, digital data services and ISDX, already available in Guernsey, will be in Jersey by the year end.

Mr T.F.Ayton, director of the States of Jersey Telecommunications Board, is already predicting the arrival of video telephone services in the not too distant future, following equipment demonstrations this year.



Ashley Ashwood

Four-month-old oysters at an Guernsey sea farm.

Shellfishing industry

Rivalries between the islands

JERSEY and Guernsey are the base for a £10m-a-year shellfishing industry – with the two islands working in great rivalry.

One factor that helps to unite them, however, is a mutual dislike the grant system for fishing industries from Britain and European Community.

Channel Island shellfish harvesting and processing is an up-and-coming industry with a yearly income of around £6.5m, of which Guernsey has an income of just over £3m.

Both islands have developed their industry without British or European Community aid - but must continue to compete with grant-aided fishermen from France and Britain.

For many in the islands, conservation of shellfish stock around Jersey, Guernsey, Alderney and Sark is also an important issue.

While EC regulations seek to control and reduce certain fishing activities, the view among fishermen in the Channel Islands is that such a reduction would not be necessary if fishing interests were allowed to develop purely on their own finances - as has been the case in the islands.

"All we want to achieve is the conservation of our stocks in the face of subsidised operators - and we believe that other countries should adopt a similar policy," says a Guernsey fisherman.

The Guernsey Fishermen's Association is also seeking to close what it sees as a possible "loophole" in safety regulations, whereby UK vessels can register in Guernsey.

Another issue that causes frustration among Guernsey fishermen is the the layout of harbour developments at St.Peter Port, where there is some resentment about "being hived off to a quay in a remote corner - many of the fishermen would have preferred the authorities to have built simple slipways, so that loading and unloading would be easier."

With tides varying as much as 34ft., some skippers and crewmen claim that it is difficult to come alongside the new quay.

Despite the Jersey port of St.Helier having invested £1.4 in a new fish quay and 22 acres of land for the fishing industry, some crews are unhappy about the development. The quay is a two-tier construction because of substantial tides.

Fishermen maintain that most of the island's shellfishing boats cannot easily use the facilities because the channel is too restrictive and the quay lacks lifting facilities to offload produce.

Barrie Stevens

Agriculture, horticulture and fishing sectors win larger orders

Strong exports of edible produce

AGRICULTURE, horticulture and fishing have for generations provided the economic 'lifeblood' of Channel Islanders.

Their islands, blessed with fertile soil and a mild climate, are still famous for the distinctive, pure breeds of Jersey, Guernsey and Alderney dairy cattle – although the latter, because of the German Occupation, have sadly ceased to exist in their homeland.

Today, the islands are also substantial exporters – mostly to the UK – of a variety of edible produce, especially Jersey potatoes and Guernsey tomatoes, with an equally wide variety of cut flowers, including Jersey narcissi and Guernsey freesias, the latter holding 85 per cent of the UK freesia market.

Commercial fishing, which once took islanders as far as the waters off Newfoundland – and indirectly helped to spawn the overseas demand for distinctive traditional Jersey and Guernsey pullovers – is undergoing a revival in both Jersey and Guernsey, with strong local sales and increasing exports of crustacea and wet fish.

Commercial fishing is undergoing a revival in both Jersey and Guernsey with good local sales and exports

Maintaining these indigenous industries continues to provide a solid challenge, not only for those directly involved, but also for politicians and civil servants who are anxious to ensure these activities remain important parts of the insular economies as well as being vital contributors to the social and physical well-being of island life.

Jersey's agricultural, horticultural and fishing interests, together earning over £42m a year, are overseen by the island's Committee for Agriculture and Fisheries, headed by Senator Pierre Horsfall.

In Guernsey, where horticulture – with an export value of around £32m – is predominant, these sectors are overseen by three separate committees.

In Jersey, while the interests of crop producers and fishermen are far from overlooked, great importance is attached to the 6,000-head herd of dairy cattle, 4,000 of them 'milkers.'

Senator Horsfall and his chief officer, Mr Peter Bastion, believe their committee "has closer control of dairy farming than anywhere else" – this includes involvement in milk recording, artificial insemination, animal health, breed improvement and slaughtering.

They estimate that the herd produces around 3m gallons of milk a year to meet a liquid requirement of some 2.2m gallons, with the remainder converted into cream, butter and yoghurt, but no cheese; the entire output is worth some £7m at retail prices.

Protecting the health and purity of the Jersey breed in which export interest is increasing is of paramount importance. This is why – Senator Horsfall says – a derogation supporting a continued ban on importing other breeds (even deer, sheep and goats are kept out), has been agreed with the EC. He expects a similar derogation to be approved to prevent the importation of liquid milk from the EC into the islands after 1992.

Nearly 60 per cent of Jersey's 45 sq. miles is in agricultural use. Around 75 per cent of local dairy farmers also grow crops.

Despite agricultural land values of around £7,000 an acre, against an average of some £1,500 in the UK, 36 per cent is farmer-owned in Jersey and much of the remainder leased from benign landlords at £300 to £400 an acre.

During 1987, £27.5m worth of crops were exported; these included potatoes (£15.6m), tomatoes (£5m) and cut flowers (£2.5m).

Guernsey's peak year for horticultural exports was 1965 when, at 1987 values, its commercial glasshouse industry earned an estimated £88m, mostly from tomatoes. It also worked 1,128 acres of 'vineries' – so-called because, a century ago, grapes were the principal crop – and employed more than 5,000 full-time staff.

In 1987, the value of Guernsey's horticultural exports was estimated at £32.2m of which £10m was earned by tomato-growers. In addition, the industry worked only 690 acres and employed only 1,817 full-time staff.

In a recent report by the States Committee for Horticulture, this traumatic shrinkage was attributed to the second round of oil price increases in 1980 which, quite simply, made tomato growing in heated glasshouses unprofitable in Guernsey.

Many growers went out of business while others survived by switching to other produce such as freesias, carnations and crops with relatively low heating requirements.

Since 1985, however, growers have seen falling oil prices – and a return to the profitability nearer the levels of the 1970s which has generated confidence and is encouraging new investment.

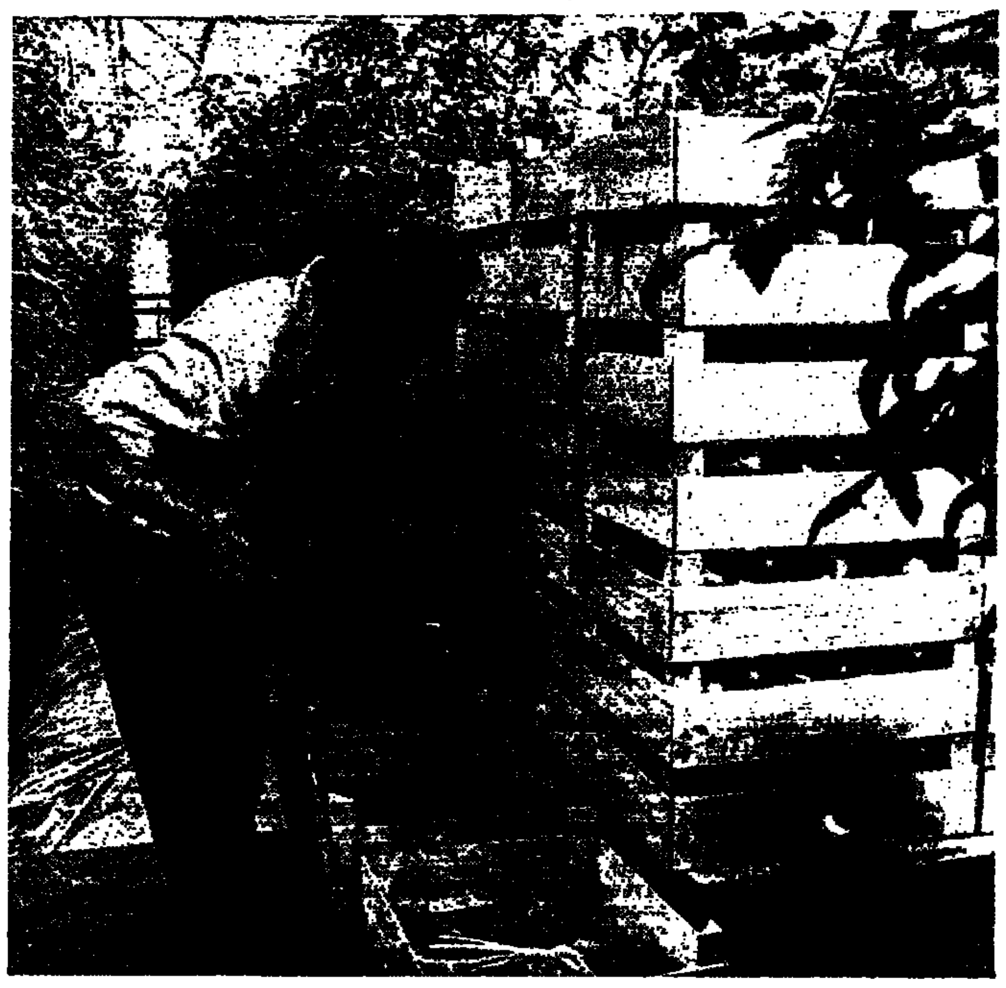
With expanding markets in the UK and northern Europe, particularly for quality produce, the committee is anticipating total returns of £40m in 1993 from 570 cropped acres, against the present 630 acres.

To help the process along, the island government has approved a six-year programme to encourage more capital investment plus measures to improve produce and market promotion, training facilities and crop development. At the same time, government spending on advisory services is to be restricted and growers will be encouraged to pay for specific services received.

Farming, too, is to receive a boost from the construction of a new £2.2m government-run dairy which will annually sell more than £4.6m worth of liquid milk, butter, cheese and yoghurt to local customers.

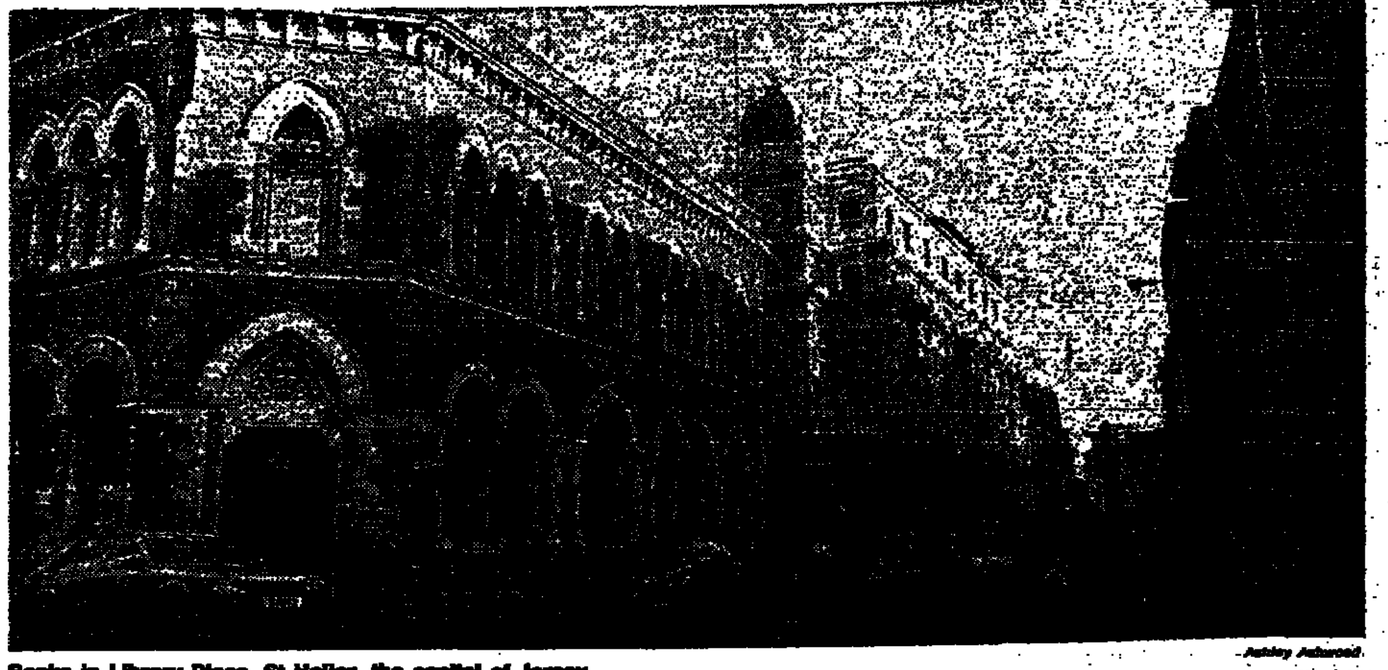
The industry has seen a decline in the number of farms since 1978 from 135 to 87, but the herd size some 4,000 with 2,400 milkers has remained the same. Over the decade, liquid milk production has risen by 15 per cent from 8.04m to 9.2m litres.

Bob Baker



Tomato-picking in Guernsey.

Tranquil harbour scene at St.Sampson, Guernsey



Banks in Library Place, St Helier, the capital of Jersey

Ashley Ashwood

Edward Owen on plans by the tourism industry "to get its product right"

Battle with mass-market competitors

WITH the Single European Market and the Channel Tunnel project looming ahead, the tourist authorities in Jersey and Guernsey are giving a great deal of thought at present to future strategy.

Jersey's Tourism Department, recently re-organised under its new director, Ms Sheila Henwood, to create a separate Continental marketing division, has a working party studying the recommendations of the two major reports on the industry's future.

The Guernsey Tourist Board, which is mounting a £60,000 visitor survey this year, is giving special importance in its long-term planning to what director of tourism, Mr Michael Walden, calls "getting the product right", which means reviewing everything from entertainment facilities to conservation of the countryside.

Tourism remains a very important second leg of the economy in both Jersey and Guernsey, and is the main support of Alderney, Sark and Herm. A survey last year put Jersey's earnings from this source at £216m. Guernsey's estimates differ, but Mr Walden says he believes the figure must now be around £100m.

So far, the islands have successfully held on to their tourist trade against competition from mass marketed package tours to sunnier resorts, although local hoteliers are having to adapt to later bookings, shorter stays and room rates geared to tour operators' requirements.

The Channel Islands no longer rely for the entertainment of visitors just on their beaches and spectacular scenery, or even on their considerable array of castles, museums and other attractions like the Jersey Zoo or Victor Hugo's house of exile in Guernsey.

Festivals and other events are organised throughout the season. Besides its famous battle of Flowers and well-established Good Food Festival, Jersey has Italian, Portuguese and French weeks and is introducing a new event, the Jersey Fair, during May.

Guernsey runs dancing, music and chess festivals and is staging again in September a fortnight long 'arts and fun' festival first held in 1987.

Guernsey has also been particularly successful in promoting itself as a boating centre. The island was the main sponsor of the 1988 London Boat Show and last September hosted the World Powerboat Championships (earning appearances in BBC TV's marine soap opera, *Howards' Way* as a small riposte to Jersey's long-running TV exposure through the *Bergerac* thriller series).

Tourism remains a very important second leg of the economy in both Jersey and Guernsey

Another big powerboat event is to be held in Guernsey this year, along with several regattas and yacht races.

Nevertheless, while local tourism officials generally share the confidence of Mr Roger Le Monnier, Jersey's marketing manager for Europe, that the islands' holiday product is "sufficiently unique to retain a very strong appeal," it is accepted that the novelty of the Channel Tunnel and easier European travel could lose them, at least initially, some of their traditional UK holiday business.

The islands are preparing for this contingency by stepping up their promotional efforts in markets such as the Netherlands, West Germany, Switzerland and Scandinavia.

At present, about 20 per cent of Jersey's 790,000 staying visitors and 15 per cent of Guernsey's 350,000 come from outside the UK. Both islands would like to see the figure nearer 25 per cent.

One problem still to be overcome, though, is the reluctance of many island hoteliers to contract rooms to Continental tour operators often with nerve-rackingly late release dates as long as they know they can fill their beds from the British market.

As Jersey and Guernsey hoteliers agreed at a recent joint meeting, another important factor in retaining a tourist niche in the new Europe will be to ensure that the local industry's facilities and services are of a high quality.

Both the larger Channel islands have had compulsory hotel grading for 40 years, but fresh standards are now being set for the 1990s. A new Jersey scheme due to come into force in 1991 has been "an enormous exercise, really in depth," according to the president of the hoteliers' association, Mr Albert Able.

It is involving official inspection and regrading of every hotel and guest house in the light of stricter requirements for private baths and other amenities.

Higher standards, however, call for the kind of resources that are stretched to the limit in the Channel Islands, such as land, building contractors and skilled catering staff. The pressures of an overheated economy on the tourist industry are already showing themselves in Guernsey.

Nearly 2,000 beds have been lost in Guernsey over the past two years as a result of a loophole in the planning law that has allowed tourist properties to be sold for housing and residential homes for the elderly.

Ashley Ashwood

The attractive cobbled streets of St Peter Port, Guernsey

Particularly hard-hit has been the self-catering sector, which Guernsey started to develop in the early 1970s while Jersey was still discouraging it. The Tourist Board's policy of having holiday bungalows built to a permanent standard has rebounded on its, because these properties have made ideal lower-priced homes for first-time buyers.

Mr Michael Walden, director of tourism, says: "We are particularly concerned about the loss of prime tourists sites which, given the shortage of land and housing situation, are never likely to be recovered."

Staffing has also become a critical issue in Guernsey. Under a proposed sharpening of the housing regulations, designed to curb immigration by preventing imported labour from settling in the island, hotel staff from outside would be allowed to stay for only nine and then never return.

The managements of Guernsey's top 12 hotels have protested that this will have a "disastrous" effect on recruitment and make it impossible to attract the quality of staff needed to maintain good standards of service.

The dilemma is typified by the situation of Guernsey's four-star 133-bedroom St Pierre Park Hotel, whose Jersey owners, Ann Street Brewery, promised to train and employ largely local staff when the establishment was opened in 1983.

In the event, the hotel has had to import virtually all its staff and recently applied to build a 100-bed block on the site to house them. Here, however, it came up against planning restrictions and, like another hotel that wants to add an 18-hole golf course, had its application turned down.

The 1992 issue

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standable resentment on the part of young people being priced-out of the housing market.

According to Robin Rumboll, an elected member of the States of Jersey, and a senior partner of accountants Coopers & Lybrand, there has sometimes been a feeling in the past that the offshore finance industry might be only transitional. After all, it dates back no more than 25 years or so.

But now it is more firmly rooted, and Jersey has become very dependent on it for tax revenues — "there can hardly be a Jersey family that does not have a member working in the finance industry," he says.

The problems of success afflict both islands, however. In particular, they are attempting to grapple with the labour shortages and the worrying growth of population. Probably the political atmosphere has cooled a little since 1987, when Jersey's population was shown to have topped 80,000 and there was something of a backlash. But measures to limit employment growth have been strengthened.

Jersey has become tougher in its attitude to 'J-category' skilled immigrants who can now only obtain relatively short-term (though renewable) employment contracts and can be much less confident than before that they will be able to remain in Jersey for the ten years needed to obtain the right to purchase a house.

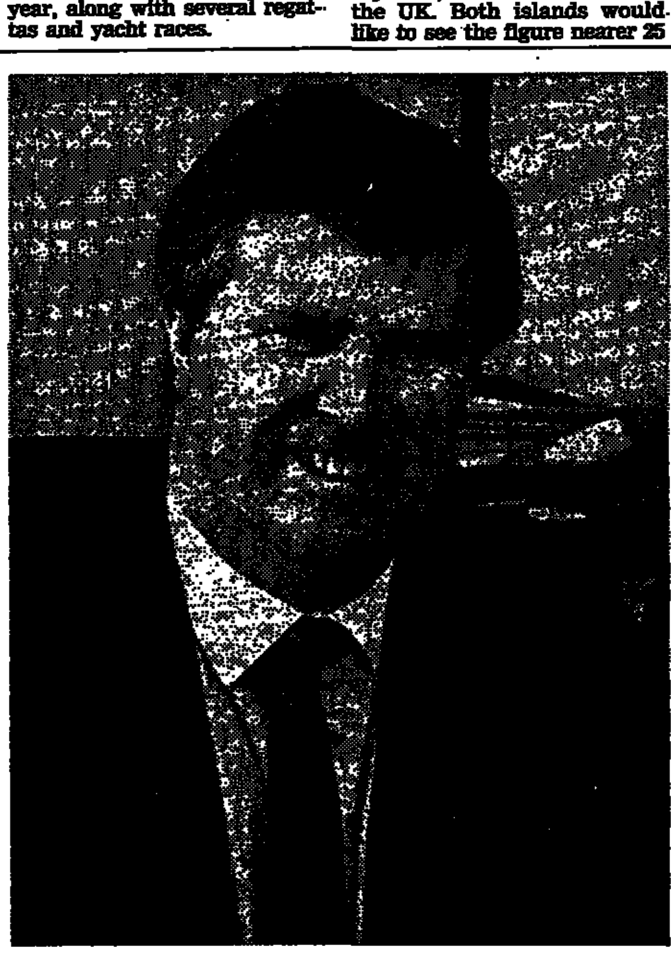
Guernsey has rejected the idea of introducing a Jersey-style Control of Undertakings Law, under which the Jersey authorities can control the number of employees in each company. But it is tightening its system of work permits, arousing complaints from the tourist industry.

The economic boom is serving to generate a surge of tax revenues that are sending the budgets of Jersey and Guernsey into heavy surplus, mirroring the UK situation. The Jersey income tax yield is expected to rise by 15 per cent in 1989, and despite sharply higher public spending there is projected to be another £30m to add to the Strategic Reserve (a 'rainy day' fund), taking it to over £90m.

What could cause such a rainy day? The vulnerability of both territories to a setback in the offshore finance industry is becoming greater. But there could be opportunities as well as risks. The Channel Islands sense that there could be a chance to build new relationships throughout Europe, although they face competition from a variety of locations within the EC, including Dublin, Gibraltar and Madeira.

"It is better to have an offshore centre within your sphere of influence than to drive people to more distant locations," says Colin Powell.

"The concept of offshore Europe is an attractive one to member-countries, as well as to the offshore centres."



Richard Arnold, president of the Guernsey Chamber of Commerce — "there's a fear of the unknown," on the 1992 issue.

ACCOUNTANCY COLUMN

The brand new concept of current people accounting

By Richard Waters

FORGET brand accounting. I have invented a way of putting a company's *real* worth into its balance sheet.

I have to confess that my idea is similar to brand accounting, which involves putting a value on these intangible assets and so creating extra reserves out of nowhere.

All you do is to wander around your office, look out for any people who may be around, and value them. (When I say value them, I actually mean *put a value* on them – I'm sure that as a caring employer you value them already.)

This system, which I have patented, is called Current People Accounting (CPA for short).

People are just as much assets as brands. They clearly fit the definition, contained in Professor David Solomons' suggested accounting framework last year, of an asset: resources that are expected to yield a company future economic benefit and which it controls.

You even hear talk of "people businesses", so the stock market obviously understands the concept.

What is more, people are easier to identify than brands – there seems little room for dispute about what one is or how you distinguish it from other intangible assets.

Value people? Much too risky, I hear you say. They might get up and walk off.

True, but then most assets have a finite useful life. The only question is how long that is going to be. And if you really think that your people might just walk off, shouldn't shareholders know? They might be concerned: they think you are doing something to make sure your workforce stays around for a while, just as you are keeping your machines in good repair.

Putting a value on people is a tricky one, but here are four methods tried as an experiment

Ah, but how do you put a value on people, you ask? I have to admit this is a tricky one, but I think I have come up with the answer. I tried out four methods on myself as an experiment. These were the results:

● The first method was to arrive at my economic value to the Financial Times. This involved working out what portion of the paper's sales each day are due solely to my efforts. I then projected this forward for the next 30 years (by which time I will be the editor, so my value to the paper will have gone up enormously by then), and discounted the whole lot back to present values. The result: £12.53.

● Unhappy with this, I went on to method number two, which involved calculating my historic cost. This was simple: I added together what the FT had spent in hiring me and the training that has gone into making me the highly professional journalist I am today. I then depreciated this at a rate of 2 per cent a year to reflect my mortality. Result: £8.50.

● Hmmm. Method number three was to work out my replacement cost – how much it would cost the paper to fill my shoes. This is difficult because I consider I am unique, but at a pinch it might be possible to retrain some highly skilled individual. This was more like it, because I ended up with the figure of £55,823.

● For luck, I tried one more method: market value. If I were to offer myself on the open market, what sort of "signing-on" fee could I command? The market is a bit thin compared to that for, say, footballers, but I ended up with an estimate of £5. (If you think this is too modest, please let me know).

However, I decided the market value method was a bit unreliable. After all, some teams of stockbrokers got big signing-on fees two years ago, and look at them now.

The findings from my experiments are extremely encouraging. The FT could never afford to replace me; my value to the paper is more than I cost it inthe first place, and so it is showing a "profit" on its investment in me; and it could never recover its investment if it tried to sell me on the open market.

People managers could be judged by return on capital as represented by their staff

This method is obviously a success, and I will be writing to the FT's finance director suggesting he puts me in his books at £12.53.

I can see all sorts of uses for CPA.

For a start, people managers could be judged by the return on capital represented by their staff.

Suppose you run a division of an advertising agency with staff worth, say, £100,000 (the depreciation rate is higher than the average, because these people wear out or walk out more frequently than most). What sort of return are you making on this investment – and how does it compare with other uses to which the capital could be put?

I estimate that, having used this system, half of the advertising agencies in the UK would close down and put their money in the building society instead.

A second way of judging people managers is on changes in the value of their workforce.

If, in the above example, your £100,000 workforce at the start of the year is worth only £75,000 at the end, you have serious questions that need to be addressed.

Is the manager "milking" his assets for short-term profits with no view to the future? Has he failed to invest in the next generation of income-generating workers? Has he failed to look after his assets and allowed them to fall into a state of disrepair?

I think I have hit on a fashionable notion here. In its seminal report on financial reporting last year, Making Corporate Reports Valuable, the Institute of Chartered Accountants of Scotland suggested that companies should produce a Statement of Changes in Financial Wealth each year.

My CPA adjustment would be an important part of such a statement – in fact, the single most important part for any people business.

Comparing depreciation rates between companies would also be useful. If one company wrote off staff over ten years and another in the same industry over five, shareholders could justifiably quiz their directors on the disparity.

Wouldn't you like to know how fast you are being depreciated, or when the rate is speeded up?

There are also advantages in all this for workers. Wouldn't you like to know how much your employer thinks you're worth? Or how fast you are being depreciated? Or when your depreciation rate is speeded up?

The possible uses seem almost endless. If you would like to subscribe to this system, please drop me a line – or better still write to the Accounting Standards Committee. And, please, no more of this brand accounting nonsense.

ACCOUNTANCY APPOINTMENTS

Financial Controller

£25,000-£30,000 + Car
South Herts.

Our client is a rapidly expanding group of companies which manufactures, distributes and retails high quality domestic audio equipment. The products it manufactures are exported world-wide and the group is the sole UK distributor for several Japanese manufacturers of premium hi-fi equipment. With a current turnover of about £9m, the group has ambitious plans for expansion, both organically and by acquisition.

This growth has led to the creation of the position of Financial Controller. Reporting to the Finance Director, the role will involve close liaison with the Managing Director and other members of the group management team. Specific responsibilities will include the review and upgrading of the computer systems and the management of funding, including foreign exchange. The Financial Controller will supervise the production of management information and take responsibility for a variety of general business areas. A small accounts team reports to this position.

The ideal candidate will be a qualified accountant with demonstrable expertise in computer systems evaluation and development. A minimum of two years' post-qualification experience in commerce is essential. Excellent interpersonal skills coupled with a commercial, flexible and creative approach would be required to carry out this role effectively. Prospects of developing this position as the group grows are outstanding and, for the right candidate, a board appointment may be available in due course.

Please write in confidence, enclosing full career details to Sean Connolly, quoting reference SHA 1273.

Stoy Hayward Associates

MANAGEMENT CONSULTANTS, EXECUTIVE SELECTION DIVISION, 8 BAKER STREET, LONDON W1M 1DA
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Probably in their late 20s, applicants, preferably qualified accountants, must have relevant tax experience gained in the profession, commerce or Inland Revenue.

Please write, quoting reference H/816/CF and enclosing a career/salary history and daytime telephone number, to:

David Hogg FCA
Lloyd Management
125 High Holborn
London WC1V 6QA

PEARSON

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Please reply in confidence, giving concise career, personal and salary details to Heather Male, quoting Ref. L400.

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You should be a graduate aged up to about 27 who has trained in a leading firm and ideally had some experience of the investment banking and securities industries.

The role will appeal to energetic positive individuals who are flexible, highly intelligent and able to think for themselves. It will provide not only a strong grounding of experience in the financial services sector but also opportunities for rapid progress and increased responsibility within the group.

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Please telephone or write in confidence, giving concise career, personal and salary details to Paul Carvosso, quoting Ref: L402.

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North West c£25K, bonus, car

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Working closely with the directors you will play a key role in all aspects of the business as well as managing the finance function and ensuring the provision of accounting, costing, project and management control information.

Candidates must be qualified accountants, proactive and flexible, with experience in a senior post in an industrial environment and conversant with US reporting procedures. This is a challenging role with exciting prospects of promotion in Europe.

Please write in confidence to Peter Evans, ref: 895.

KPMG Peat Marwick McLintock

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Management Opportunities In Finance and Planning

Shell International Marine, a part of the Royal Dutch/Shell Group, is one of the largest tanker owners and operators in the world. The shipping industry is undergoing major changes which present interesting and challenging decisions to senior management responsible for the conduct of the business. The prospects for the industry and Shell in particular are excellent.

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Marine Planning is key to our medium and long-term management strategy. That's why we've installed some of the most advanced analytical models in the business, to help us identify and develop world-wide market issues. As a computer-literate graduate with keen analytical skills your contribution will be highly influential. Shipping industry experience is desirable but not essential. *Ref: GIA.*

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To monitor the expenses and payments arising from our global operation we're currently introducing a state-of-the-art accounting and management information system. Reporting to the Finance and Treasury Controller, you'll assume a high profile position leading a team of nine professionals. As such, you'll need to be a qualified accountant or graduate with a wealth of suitable experience. *Ref: AM.*

Both positions will require qualities of leadership *and breadth of vision* that are likely to have been gained within the Finance or Corporate Planning *Department of a major league company.*

Remuneration will be very competitive and conditions of employment, which include a wide range of sports and social facilities, are excellent.

Please write or telephone for an application form, quoting the appropriate reference number, to: Miss L. E. Knight, HRDL/33, Shell International Petroleum Co. Ltd., Shell Centre, London SE1 7NA. Telephone: 01-934 4021. Closing date for receipt of applications 23rd March 1989.

Royal Dutch/Shell Group

CAREERS OF CONSEQUENCE

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West End — **to £35,000 + Car**
A prestigious leisure group is seeking a qualified accountant, ideally aged 28-33, to undertake responsibility for the entire finance function involving staff supervision, systems development and the provision of management information. Ref: SEW7249

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Leading UK Investment House seeks a qualified accountant, aged 25-35, with experience of the securities industry, to assist in the provision of management information for senior operations staff. Ref: HKM6332

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A high profile role exists for an experienced accountant, aged 30-40, within a leading UK Financial Services group to co-ordinate and plan the activities of the internal audit department. Ref: SEW8845

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East London — **£30,000 + Benefits**
Growth through acquisition and market penetration has created this demanding number one role in an exciting multinational trading group. Ideally aged 28-35, commercial acumen and flair are essential. Ref: JFH6276

SENIOR ACCOUNTANT
City — **£28,000 + Bank Benefits**
Subsidiary of a major US commercial bank offers qualified accountant, ideally aged 27-33, an excellent opportunity to develop the accounting systems, to ensure the accuracy of management information and to manage a small team. Ref: SML9933

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S.W. Essex — **£25,000 + Car**
Ideal role for recently qualified accountant (ACCA/CIMA) to take the reins for the first time. Leading the market this manufacturing concern offers total involvement and high level liaison throughout the group. Ref: JFH9632

To apply for these or other similar opportunities in London or South Essex please write to or telephone

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- Immediate impact and an ability to influence (particularly non-financial personnel at all levels).
- Good leadership qualities (the achievement of key objectives will in certain cases be achieved through the motivation of professional staff).
- Strong communication and interpersonal skills.
- An achievement record which will not only include promotions with previous employers, but will evidence an ability to positively change, and ideally impact on bottom-line profitability.

Additionally the role should be "heir apparent" to the **Commercial Director** and must demonstrate promotion potential within 12 months. You are likely to be aged 29-33 years.

Finance Operations Manager
up to £30,000 pa plus car

Reporting to the **Financial Planning and Analysis Director** you will potentially be eligible for promotion to that role on the 12 months time horizon. There is also a functional responsibility to the Regional Operations Director.

The initial objective of the role is to ensure that the necessary financial management and commercial processes, controls and disciplines exist to support the achievement of regional business objectives.

Specific responsibilities will include:

- Provision of management information to improve line management's financial awareness and to assist in key decision-making.
- Recommendation of actions to maximise profits.
- Identification and quantification of operational risks and opportunities.
- Training and development of an efficient financial analysis team.

A qualified Accountant of likely age 25-28 years, you must be able to demonstrate an ability to relate to Operational Management.

Both positions will be based on the **Middlesex/West London** borders, but will involve limited travel throughout the UK.

If you are interested in either (or both) positions please telephone Karen Wilson BA ACMA on 01-491 3431 (0895 633429 weekends/evenings) or write to her at FMS, 14 Cork Street, London W1X 1PF enclosing a recent CV and a note of current salary.

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GROUP FINANCE MANAGER

Central London — **c.£38K + Bonus + Car + Share Options**

Our client, an expanding and successful international group, currently seeks to recruit an individual to play a key role in the management and development of the group finance function.

Reporting to the Group Finance Director and heading up a young motivated team, responsibilities will include:

- Deputising for the Group Finance Director during his frequent overseas absences
- Managing and controlling relationships with Banks, Auditors, Tax Advisers etc
- Liaising with Controllers and Finance Directors throughout the Group to ensure an efficient flow of information
- Providing a group treasury service managing and reporting on cash flows, borrowings, foreign currency and interest rate exposure
- Supervising the consolidation and production of statutory reports and accounts, monthly and quarterly management reports and forecasts, budgets and plans
- Analysing information for the Group Board and Shareholders

You will be a qualified accountant, likely to be aged 30-40 years old, with good communication and motivation skills, with the flexibility to be able to respond to the wide variety of pressures involved in a rapid growth environment. You should possess experience of both statutory and management reporting and treasury management.

Although suitable applicants are likely to be currently working in commerce or industry, exceptional individuals at Manager level within a major accounting firm will be given serious consideration.

Interested individuals should write enclosing a current CV together with salary details, to Shirley Knight BA, ACMA, MBA at FMS, 14 Cork Street, London W1X 1PF.

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Finance Managers and Financial Controllers

KPMG – the largest firm of accountants and consultants in the world – is expanding its financial management consulting operations in the London Region, the Midlands and the North.

We need further outstanding and ambitious people to join us. In our London Region we need people to be based in London, Reading or Milton Keynes. We also need people to be based in Birmingham, Yorkshire and the North East. The profile is straightforward – we are looking for the best graduate accountants in their mid 20's to mid 30's, from manufacturing industries, service industries and consultancy.

We are world leaders in financial management techniques and offer a wide range of interesting and constructive work from within a structure which we believe to be unique in the consultancy business. This structure enables us to offer variety and flexibility to the individual and leading edge industry focus to our clients.

Working in an expanding group, exposure to the latest developments in financial management and IT, and the experience of operating at senior management and board level, can provide the basis for very rapid career development.

If you would be interested in talking with us about opportunities in consultancy please send a brief c.v. to Karen Church quoting reference FM/M89/FT to KPMG Peat Marwick McLintock, P.O. Box 486, 1 Puddle Dock, Blackfriars, London, EC4V 3PD.

KPMG Peat Marwick McLintock

Newly Qualified Accountant

Corporate Planning in Global Communications

London EC2 **£23,000 + Car + Share option**

With a global communications network and a dynamic approach to corporate expansion, our client leads the world in integrated information services.

A *challenging* vacancy *exists* for a newly qualified accountant to join a young team working within the Corporate Planning department. Reporting directly to senior management in the UK and US, you'll be closely involved in mergers and acquisitions, undertaking ad hoc analysis and project work of 2-3 months' duration. Additional areas of responsibility include group budget plans, capital expenditure and management accounting.

Much depends on your ability to excel in a team environment. If you have the potential, career prospects are almost unlimited within this large and diverse international group. Rewards are also excellent, with a wide range of benefits including 6 weeks holiday and BUPA.

For further details, please telephone Maxine Lester on 01-638 1711 or write to her enclosing full career details.

Those who think, think Mervyn Dinnen

MERVYN DINNEN ASSOCIATES
FINANCIAL CAREER AND RECRUITMENT CONSULTANCY
46 MOORGATE, LONDON EC2R 6EL TEL: 01-638 1711

LONDON CRAWLEY

KINGSWAY

GROUP FINANCE DIRECTOR

Technical excellence * Commercial * Strategist

London/Herts £45-50,000 + incentives and benefits

Kingsway Industrial Services Group is the *main vehicle within the recently formed* Kingsway Holdings plc. The Chief Executive seeks a Manager with a proven track record to take complete financial responsibility for the two companies presently in the Group. The appointee must be not only an excellent accountant, with a successful career to date, ideally in a distribution business, but a businessman capable of growing with the Group. He/she will have to:

- Manage corporate, financial and systems restructuring.
- Plan for earnings increases of 20% per annum.
- Ensure the adequacy and accuracy of all financial information.
- Have the ability to work closely with the Chief Executive and in the medium term take on the senior corporate finance role within the holding company.

This position represents an unusual opportunity of joining a £20m organisation and being a genuinely key member in driving it forward to obtain fast growth and high returns. Only candidates who are confident of their leadership, technical and business skills should apply.

If you are interested in the position and have a suitable track record, please send full career details to James Forte, quoting reference K3735.

KPMG Peat Marwick McLintock
Executive Selection and Search
70 Fleet Street, London EC4Y 1EU

FINANCIAL CONTROLLER

Based at Heathrow Airport

c.£25,000 + CAR

A well established cargo business, with a current turnover in excess of £3m from operations at Heathrow and Gatwick Airports, requires a Financial Controller. The successful applicant, who must be a qualified Chartered Accountant, will be responsible to the Managing Director for all aspects of financial control and accounting of a business which is expected to expand significantly in the near future.

Those interested in this exciting opportunity should apply by writing with an up-to-date C.V., to Box Number A1164, Financial Times, 10 Cannon Street, London EC4P 4BY.

CAREER FINANCE OPPORTUNITIES WITH A NEW NATIONAL AUTHORITY

Subject to enactment of the Water Bill currently before Parliament, a National Rivers Authority will be established in Autumn 1989. It will be responsible for the overall management of rivers, water resources, coastal water and associated regulatory aspects in England and Wales. With a small central policy unit, the *vast majority of its employees will be based in the* Regional Operational units.

The Authority's capital and revenue expenditure of circa £100m and £200m p.a. respectively will demand highly professional and efficient management of its financial resources in meeting the objectives of improvement and development of the environment. Career opportunities exist for experienced and professionally qualified accoun*tants to assist the Director of Finance in the formulation and imple*mentation of finance policies and associated financial controls.

CHIEF FINANCIAL MANAGER	**to £36,000**
PRINCIPAL FINANCIAL ACCOUNTANT	**to £25,000**
AUDIT MANAGER	**to £28,000**
PRINCIPAL MANAGEMENT ACCOUNTANT	**to £25,000**

System creation, charging policies, financial control, value for money investigations and cash management will all be key aspects of the role of these posts. The department will share the corporate responsibility for the recommendation of policies designed to meet the Authority's objectives and responsibilities in respect of flood protection, water pollution control and the effective utilisation of the water space amenity.

Conditions of service will generally be those appropriate to a non-departmental public body, including the option of membership of the Local Government Superannuation Scheme. Assistance will be given with relocation where appropriate.

These are exciting and challenging opportunities in a dynamic new organisation.

Send your CV and we shall send an information pack. Alternatively telephone for a pack and application form from David Burke, Austin Knight Selection, Kings House, Bond Street, Bristol BS1 3AE Telephone (0272) 221891 (daytime) or (0272) 686185 (evenings/weekends).

Closing date: 23rd March 1989.

NATIONAL RIVERS AUTHORITY

Senior Accountants with Occidental

London Based ***c. £25,000***

Occidental Petroleum (Oxy) is a major US based energy corporation employing some 51,000 people worldwide and with an annual revenue of 19 billion dollars. Internal promotion, reorganisation and the introduction of a new and advanced IBM based general ledger system have created vacancies in the following key areas.

Project Accounting

The main thrust of this position will be to analyse existing and new accounting practices in order to optimise the use of the new accounting system and ensure the highest possible accounting standards are maintained. Working in close liaison with finance management this position will also undertake project assignments and ad hoc reviews covering all areas of OXY's UK accounting activities.

Candidates must be proven communicators who are able to maintain a clear overview of objectives within a busy highly computerised environment. Formal qualifications should be supported by relevant experience, a mature outlook and the ability to lead by personal example.

General Accounting

This wide ranging role covering the monitoring of accounting and commercial activities within OXY's European trading and treasury companies, provides an unrivalled opportunity to become involved in a high activity role with international exposure. A significant volume of complex transactions are involved which require constant monitoring in order to ensure accuracy of accounting data.

Candidates will prepare consolidated financial accounts on both a US and UK basis and must have the temperament to cope with tight deadlines. A formal qualification is essential, supported by experience of the latest computerised accounting techniques, spreadsheets etc.

Oil & Gas Accounting

You will provide accurate and meaningful financial and management information relating to the commercial activities of the UK North Sea group of Companies. As a key member of a small group of professional accountants, this will involve the production of monthly and annual reports and records to strict deadlines. This is a highly visible position in OXY's core business and requires a formal qualification and broad accounting experience, ideally gained in a relevant industry.

All positions offer salaries in the region of £25,000 and will involve limited travel within the UK. The normal benefits apply and there are definite opportunities to substantially broaden your career horizons within an expanding and progressive organisation.

Please send full career details to:

CLYDE SORRELL,
EMPLOYEE RELATIONS DEPT.,
OCCIDENTAL INTERNATIONAL OIL INC.,
16 PALACE STREET, LONDON SW1E 5BQ.

OXY

Group Finance Director (Designate)

North West **circa £50,000 + car**

This is an exceptional opportunity for a 'High Flyer' whose initial impact and contribution will be as Group Financial Controller but with planned promotion within 12-18 months to Director level. *Our client is a fast growing, highly acquisitive and successful organisation,* with a 1989 planned turnover of £100M through a diverse range of manufacturing, distribution and retailing activities in a number of market sectors.

Specific responsibilities will cover the provision, analysis and interpretation of financial and management information and the introduction and development of sophisticated systems throughout the group. Most significantly the appointee will make a strong and professional contribution to the senior Management team to facilitate the organisation's ambitious growth plans.

Obviously our client is looking for an exceptional individual with an appetite for challenge. A graduate and qualified accountant, the successful candidate will be someone with commercial flair and incisive business judgement. Coming from a senior financial position within industry or of partnership calibre in the Profession, the highest technical competence must be supplemented by strong managerial and interpersonal skills and an ability to sustain an exceptionally high work rate within this dynamic and fast moving pressurised environment. The initial salary quoted, plus a highly attractive rewards package, will be significantly enhanced upon confirmation of board appointment.

Interested applicants (male or female) should send a detailed CV or ring for an application form on 0625 533364 (24 hours) quoting reference 1477/FT.

Wickland Westcott & Partners
LONDON · WILMSLOW · PARIS · BRUSSELS
Search and Selection; Management Development
Springfield House, Water Lane, Wilmslow, Cheshire SK9 5QS. Telephone: (0625) 532446.

Legal Appointments

appear every Monday

For Further Information Contact

01-248 8000

Elizabeth Rowan Ext 3456

Wendy Alexander Ext 3526

FINANCIAL MANAGEMENT

[illegible]

Meridian is one of the world's largest information technology service companies. The Group's activities cent[illegible] the provision of a range of computer *leasing and data processing* support [illegible] to more than 5,000 national and international companies, through[illegible] and beyond. With sales exceeding £1 billion a year we employ nearly 2,0[illegible] professionals working in 60 locations.

GROUP [illegible] ACCOUNTANT

In such a complex inte[illegible] the role of the Group Chief Accountant is key. Accurate [illegible] reporting and consolidation is essential in ensuring the sm[illegible].

We require a high [illegible] has had responsibility for Financial Accounts and [illegible] fast-moving international organisation, to take cha[illegible] accounting and consolidation functions.

INTERNATIONAL GROUP TREASURER

The Internat[illegible] development and implementation [illegible] Group. The role also covers res[illegible] other functions are:- supervi[illegible] menting new financial in[illegible] and interest rate risks [illegible].

Both [illegible] persons capable [illegible] environment. Remu[illegible] complexity and importance of the positions.

To apply for these positions please send CV to:
Brian Ashcroft, Director Human Resources,
Meridian Group Services Limited, Wentworth House, Station Parade,
Virginia Water, Surrey GU25 4BD.
Or telephone Ascot (0990) 23344 for further information.

MERIDIAN

[illegible]

Managing Successful Change . . . Financial Controller

London **to £40,000 + Executive Benefits**

We have been retained by a pre-eminent consumer led International Plc which has a clear objective of worldwide leadership throughout its global operations.

Continued growth and success has created an exciting opportunity for a Financial Controller. Reporting to the Financial Director the key responsibilities will be to:-

* Restructure the finance division.
* Enhance the effectiveness of financial control.
* Manage a significant finance team.

The position is seen as an entry point to a prestigious organisation. You will be a graduate qualified accountant, probably chartered, aged between 28 and 35, and must have significant staff management experience gained in a large 'blue chip' environment.

A results orientated approach, technical excellence and a high level of ambition are all essential requirements.

The package will include a bonus, company car and executive benefits. A relocation package is also offered.

If you are interested in a fast moving environment then please write to Jon Anderson ACMA, Executive Division, enclosing a comprehensive curriculum vitae and daytime telephone number at Michael Page Finance, 39-41 Parker St., London WC2B 5LH quoting ref M115. Complete confidentiality is assured.

Michael Page Finance
International Recruitment Consultants
London Bristol Windsor St Albans Leatherhead Birmingham Nottingham
Manchester Leeds Newcastle-upon-Tyne Glasgow & Worldwide

High Growth Opportunity – Commercial Strategic Role

European Financial Controller

South Middlesex **To £40,000 + Substantial Bonus + F/E Car**

Our client, a major division of a £100m turnover plc, is a European group of companies providing high tech industrial services to a wide client base through subsidiaries in eight countries, and it is the outstanding market leader in its field.

The subsidiaries operate autonomously, however, there is a need to evolve into a more clearly identifiable co-ordinated pan-European group with a corporate image to match.

With plans in hand to more than double in the next three years both organically and via acquisitions, together with the evolution into 1992 and beyond, the group has identified the need to strengthen its management team with the appointment of a European Financial Controller.

Reporting to the Chief Executive (a plc main board director) you will have a wide ranging role covering the full spectrum of both financial and commercial activities from the basics to the esoteric. You will be as skilled at achieving through others, and at negotiating with banks and for acquisitions, *as you are at tackling "hands on" pc based modelling, analysis and forecasting.*

You will have responsibility for ensuring that the financial and reporting systems are developed along common lines with the flexibility to absorb the anticipated growth. Prime importance will be attached to their accuracy, timeliness and usefulness as a constructive management tool.

To succeed in this demanding and rewarding role you will be a qualified accountant probably aged 33-40 with several years' experience in high growth multisite service industries including European exposure. You will be used to a lean, independent, yet team orientated management style with the presence, maturity and strong diplomatic skills required to make a major impact on a group of entrepreneurial subsidiary MD's. Excellent communication skills, a high level of commercial awareness and the ability to relate to a strong marketing environment will be key attributes. Regular operational contact will require considerable travel.

We are looking for a rare breed of individual – but we equally have a rare role to offer and to challenge you.

If this appeals to you please submit your CV in application to **Wayne Thomas, Executive Division, Michael Page Finance, Windsor Bridge House, 1 Brocas Street, Eton, Berkshire SL4 6BW.**

Michael Page Finance
International Recruitment Consultants
London Bristol Windsor St Albans Leatherhead Birmingham Nottingham
Manchester Leeds Newcastle-upon-Tyne Glasgow & Worldwide

DIVISIONAL FINANCE DIRECTOR

Surrey **£30,000 + Car + Bonus + Share Options**

Our clients are a public industrial holding group engaged in a wide range of manufacturing and engineering activities. In addition to organic growth the group actively pursues a policy of acquisition of niche manufacturing businesses which are integrated and operated within a proven financially controlled arena.

Business performance of each division is closely monitored by a small team led by a Chief Executive.

Reporting to the Chief Executive you will be responsible for the financial monitoring and commercial support of a group of companies, all of whom are well known in their own fields of activity.

This is an exciting opportunity to join a growing group in its formative stage and share in the experience provided by the significant growth plans.

Candidates aged 30–35 will be qualified, proactive and commercially experienced, preferably in the engineering/manufacturing sector. The nature of this high profile role is such that some travel will be involved.

Please telephone Robin Rotherham on 01-541 5580 or write enclosing curriculum vitae and quoting reference no. 6653 to the address below.

Accountancy OPTIONS
6-8 Thames Street, Kingston-upon-Thames, Surrey KT1 1PE.

Financial Controller

North London **package to £35,000 + car**

Recent internal promotion at UDT Sales Finance – one of Britain's major finance houses and a member of the TSB Group – has provided this excellent opportunity for appointment to a senior financial post.

The company, whose prime activity is vehicle financing, is now poised for considerable expansion within its major markets but is aware of the need to maintain proper financial controls while at the same time providing appropriate succession planning within a dynamic, expanding environment. We therefore wish to recruit an experienced Financial Controller to be responsible for the management and control of financial and management accounting as well as the provision of effective management information and proper cost control.

Suitable candidates, ideally in their early 30's, will be graduates with an accounting qualification and, ideally, an MBA, supported by a proven record of achievement in a large company environment.

Experience of the development and implementation of accounting systems, procedures and controls would be an advantage. You should also be familiar with the analysis and presentation of management information using database technology on IBM Mainframe and PCs. You will be a highly committed individual with well-developed communication skills who is ambitious to take on a role which provides you with an opportunity to play a major part in the future strategy of a fast moving commercial organisation.

An attractive remuneration package is offered including non-contributory pension, mortgage subsidy, BUPA and Company car.

Please send a CV to
Keith Pusey, Controller, Personnel Operations, UDT Sales Finance, Holbrook House, 116 Cockfosters Road, Cockfosters, Barnet, Herts EN4 0DY.

UDT Sales Finance
A member of the TSB Group

Group Financial Controller

circa £30,000 plus car
South West London

Part of a major international service group, our client is currently entering a new phase in its development. Intrinsic to this, is the recruitment of an experienced accountant to fill one of the key positions within the finance function.

Managing a small group accounting team, you will be responsible for the efficient function of the department and the production of timely and accurate management and financial information. In addition you will be required to help ensure the smooth changeover to a new computerised accounting system.

A chartered accountant, you will probably have at least three years post qualification experience ideally within a commercial environment, although candidates from within practice will be considered provided they have experience in a "hands on" accounting role. Mature and responsible, you will enjoy working autonomously and motivating your team to achieve high standards of performance.

Interested candidates should write, enclosing their curriculum vitae, quoting MCS/9013 to: Susan Ryder
Executive Selection Division
Price Waterhouse
Management Consultants
No. 1 London Bridge
London SE1 9QL

Price Waterhouse

FINANCIAL REPORTING MANAGER

Investment Banking **c£35,000 + Car + Mortgage**

Our client is the UK subsidiary of a major international banking group. Long established in the City of London and highly respected for its position at the forefront of the corporate finance and securities markets, it is currently undertaking a programme of reorganisation and planned expansion.

This high profile position has been newly created to strengthen the financial reporting function. Managing a team of nine staff you will be responsible, not only for producing within tight deadlines, regular financial and regulatory reports for the operating companies, but also for monitoring their capital adequacy and for ensuring the effectiveness of the management information produced.

Although sound technical abilities and an understanding of all regulatory requirements are important, we are looking for an individual who can lead and motivate a high calibre team, who can think creatively and who can develop new ideas and policies.

Candidates, ideally aged between 28 and 34 should be graduate Chartered Accountants with a successful record in a large practice and at least two years experience within the securities industry or a similar finance sector environment.

This challenging role carries with it an attractive salary, bank benefits, including subsidised mortgage, non-contributory pension scheme and company car, and, above all, prospects of real career progression in a fast moving and forward looking group.

Please telephone or write in confidence, giving concise career, personal and salary details to Paul Carvosso, quoting Ref. L403.

Egor Executive Selection
58 St. James's Street
London SW1A 1LD (01-629 8070)

EGOR EXECUTIVE SELECTION

United Kingdom · Belgium · Denmark · France · Germany · Italy · Netherlands · Portugal · Spain

Divisional Finance Director

c£37,500 + car *Northern Home Counties M25 Corridor*

Our client is a major distributor of pharmaceutical and healthcare related products. Trading from 11 autonomous operating units in the United Kingdom they now seek to appoint a high calibre individual to fill the newly created position of Divisional Finance Director.

Reporting to the Divisional Managing Director in close liaison with the Group Finance Director the appointee will take the lead role in maintaining and developing reporting systems, budgeting and forecasting and closely monitoring all commercial aspects of a fast moving consumer related business in order that tight controls over margins, profitability and cash flows are maintained. In addition to the above the Divisional Finance Director will play a leading role in the planned upgrade and development of computerised management information systems which will involve the installation of latest technology.

The position calls for an energetic, qualified Accountant with an acute sense of commercial awareness.

In the first instance please write enclosing full CV quoting reference LS 220 to Bob Townes, Director, Austin Knight Advertising UK Ltd., Tricorn House, 51-53 Hagley Road, Edgbaston, Birmingham B16 8TP.

Applications will be forwarded direct to our client therefore companies in which you are not interested, should be listed in a covering letter.

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Project Manager

London **to £35,000 + Executive Benefits**

We have been retained by a pre-eminent consumer led International Plc which has a clear objective of worldwide leadership throughout its global operations.

As a result of a recent major acquisition, the organisation is restructuring a key business area. Reporting to the Financial Director the Project Managers' first assignment will be to manage the relocation of the accounting department and associated financial systems, followed by the development of effective budgetary control. In addition the incumbent will be expected to spearhead the management of change in the newly restructured London office.

Following the successful completion of this project, which will be a major test of strength and ability, the successful candidate will move to an executive position in the group which will be based in the UK or abroad.

You will be a qualified accountant aged 28-35 with significant systems experience, strong man-management exposure, and excellent analytical and inter-personal skills. In your career to date you will be able to demonstrate a track record of managing change effectively and efficiently.

This is an opportunity for a highly ambitious talented individual who seeks a demanding challenging career within a commercial international environment.

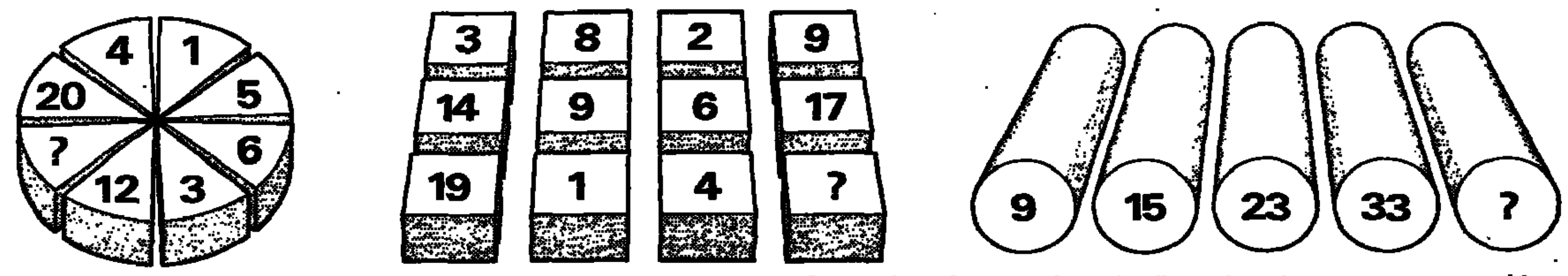
If you are interested in a fast moving environment then please write to Jon Anderson ACMA, Executive Division, enclosing a comprehensive curriculum vitae and daytime telephone number at Michael Page Finance, 39-41 Parker Street, London WC2B 5LH quoting ref M116.

Complete confidentiality is assured.

Michael Page Finance
International Recruitment Consultants
London Bristol Windsor St Albans Leatherhead Birmingham Nottingham
Manchester Leeds Newcastle-upon-Tyne Glasgow & Worldwide

ACCOUNTANTS/ECONOMISTS/MBAs; to £40,000 + CAR

Work out what's missing and we'll fulfil your career.



Taken from Test Your IQ by Butler & Pole published by Pan Books

Not for you the sneaky upside-down glance at the answers. Problem-solving is your forte, and these little number sequences won't keep you puzzled for long.

Intuitive logic, blended with good old-fashioned flair, has helped you to rise swiftly towards the top of your chosen profession. And still you're only around 30 years of age.

Now take stock. Are you really being stretched? Are the challenges beginning to fall into a predictable pattern? Will you have to move on to move up? In short, have you outgrown your present company?

Are we right? Then the obvious step for you is to fulfil your career in the Management Consultancy business. *Touche Ross have built one of the* most dynamic and respected practices in the world. Teams of our Consultants are called in by private or public sector clients to conduct studies, analyse *problems, recommend solutions,* orchestrate projects and implement change in virtually every area of commerce and industry.

Our work environment is an intellectual engine-room as opposed to an ivory tower. People work together in small supportive teams and spark-off each other through the quality of ideas, analysis and criticism.

You will need to convince us of your single-minded commitment to work excellence and of your ability to maintain consistent standards of success. A good first degree will also be looked-for (and preferably an MBA or appropriate accounting qualification) plus several years proven business experience.

The only thing missing now, is your cv. Kindly send it, in confidence, to: Michael Hurton, (Ref. 3016), Touche Ross Management Consultants, *Thavies Inn House, 3/4 Holborn Circus,* London EC1N 2HB. Telephone: 01-353 7361.

Touche Ross
Management Consultants

ANSWERS: (from left to right) 24 (numbers in the left-hand side of the circle are four times those in the corresponding right-hand segment. 16 (in each line, the first number, plus the second and minus the third, is equal to the last). 45 (the series increases by 6, then 8, 10 and finally 12).

FINANCE DIRECTOR

Pringle of Scotland Limited is a major subsidiary of Dawson International PLC, one of the U.K.'s leading textile groups. Pringle has an enviable reputation for its branded knitwear, employs over 1700 in several manufacturing locations and has a substantial international turnover.

Due to internal group promotion, a Finance Director of exceptional ability is now sought to take control of the company's financial, accounting, data processing and statutory functions.

Suitably qualified candidates will require experience in a multi-site environment, a knowledge of high volume production information systems and a good understanding of extensive data processing systems and international consumer trading.

This key role requires strong commercial flair, analytical ability, good communication skills and the tenacity and commitment to provide a significant contribution to the profitable development of the company.

The position is based in Hawick in the borders of Scotland and will involve some international travel.

It is unlikely that anyone younger than 32 will have the experience necessary to meet the demands of this position.

An attractive salary and benefits package is offered, together with generous relocation assistance.

Written Applications giving, initially brief relevent particulars, should be sent to:

Mr E. W. P. Mitchell
Personnel Director
Pringle of Scotland Limited
Victoria Mills
Hawick TD9 7AL

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Connaught Mainland

YOUNG CHARTERED ACCOUNTANT

Yorkshire base/ some UK travel | **Age 24/30** | **£16-20,000 + car + benefits**

Our client, a £100m turnover Plc has recently announced record results with a near 50% increase in profits. Their impressive 5 year growth trend is attributable to their continued commitment to the enhancement of their manufacturing capabilities as well as a policy of strategic acquisitions.

The Group's continued development has led to the creation of this new, high-profile position. Reporting to the Group Financial Controller, you will be responsible for reviewing and improving financial controls and reporting systems at the subsidiary companies. Much of the work is of a practical, problem-solving nature, dealing with profitability enhancement, and the development of accounting controls and systems. You will be involved in acquisitions, including initial investigations and the subsequent integration of new companies into the Group. In addition, you will deputise for the Group Financial Controller in the consolidation of group results/budgets, together with some involvement in group banking arrangements.

To succeed in this varied and demanding role, you will need to be commercially aware, possess good communication and analytical skills and the ability to 'think on your feet'. Opportunities for career progression exist within the Group.

If you have recently qualified and are looking to make your first move out of the profession, please contact Jackie Hardisty, quoting ref no LD80

ASB Enterprise House, 12 St. Pauls Street, Leeds LS1 2LE. Tel: 0532 446611
Also at Manchester and Liverpool
ASB RECRUITMENT LTD **A Division of ASB Barnett Kindings Plc**

Group Financial Controller

£35,000 + car + benefits
Hants/Surrey border – M3 corridor

This £80m subsidiary of a major international group and a market leader in information technology is seeking to appoint a Group Financial Controller.

The successful candidate will report to the Group Finance Director and have responsibility for monitoring and controlling management information from the two main trading divisions, together with effecting financial control for the European operations which will require occasional overseas travel. Other *duties will include forecasting, corporate finance advisory projects and ad hoc* tasks as required by the Group Finance Director.

This represents an exceptional career opportunity for qualified accountants aged between 30 and 38 who can demonstrate a proven track record, the ability to work on their own initiative and to relate to other senior executives. Experience of the hi-tech industry and computerised systems would be advantageous.

This appointment offers an attractive remuneration package which includes a fully expensed company car and benefits typical of a major international group with relocation expenses where appropriate. *Please reply in confidence* enclosing a CV to Keith Norman, FCCA, quoting reference KJN/334.

JACQUES SAMUEL & ASSOCIATES LIMITED
Financial & Executive Selection Division
2 Park Street, Hitchin, Herts SG4 9AH
Telephone: 0462-54761

Corporate Finance – M & A

Challenge • Reward • Responsibility

Our client, a major international financial and industrial group, seek an energetic Corporate Finance Executive to join a small, professional *team in Central London. If you have* 3-5 years experience, probably as a Corporate Finance Associate or similar position, this is an opportunity to work on interesting and innovative *investment and acquisition* projects.

The position involves assisting in the identification and analysis of larger scale corporate investment and *restructuring opportunities,* including mergers and acquisitions, mainly in the UK and in continental Europe. Our client operates as principal, rather than agent, across a wide range of industrial and commercial sectors.

The successful candidate will have a background in capital markets, financial *analysis and corporate financial* techniques, either in Merchant/ Investment Banking or Accountancy. International experience and/or tax knowledge would be an advantage.

The rewards are high and you will have the opportunity to participate in their profit-share scheme.

Reply, in confidence, enclosing full CV *and daytime telephone number*, to Lorraine Lee, MHG Recruitment Advertising, 50 Berwick Street, London W1V 3RA.

M·H·G
RECRUITMENT ADVERTISING

Finance Director (designate)

Growth opportunity | **from £25K**

The company has a £10m. turnover in manufacturing and contracting in the UK and overseas. There is tremendous scope for increasing both turnover and profitability and the new person will play an important role as a member of the team reporting to the Chief Executive.

This is a situation which calls for an outstanding individual. It is essential that candidates in their mid-30's are ACA's and, equally important, possess that management flair which is necessary to identify as well as solve problems. Career backgrounds must have been in a *manufacturing/* service industry with small company experience at some stage. An interesting part of the job will be to look at potential acquisitions and experience in this would be useful. A willingness to travel overseas in the course of business is essential.

Salary will be in the range £25,000-£27,500 dependent upon experience and there are all the other items which go to make a good employment package. The base is in a most pleasant part of the North West with easy access to town, sea and countryside.

Please reply – in confidence – with full career details to A. D. Percival.

Ravenscroft & Partners
Search and Selection
20 Albert Square, Manchester M2 5PE

Newly Qualified ACA's

Package circa £32K – City

An opening has arisen with a top investment management group, which offers an excellent career move for a young newly/recently qualified chartered accountant, to acquire valuable and wide ranging financial services industry experience, including compliance and internal audit.

Candidates must have a keen intellect, self-confidence, initiative and ambition for progress.

The package includes an *excellent salary, car and discretionary* bonus. In addition, non-contributory pension scheme and BUPA.

Please write with full career details quoting reference BH424 to Tony Burden, Executive Selection Division, 18 Grosvenor Street, London W1X 9FD.

ESD is the Executive Selection Division of EAL International.

ESD

FINANCIAL CONTROLLER

Guildford, Surrey | **c£22,000 + FX Car**

Are you qualified and seeking a small Company environment to utilise the full range of your financial and accounting skills?

IPTest is a small, successful, independent company marketing high tech products for the semi-conductor markets worldwide. We seek an accountant capable of handling the complete financial and administration side of the company and able to contribute to the growth and development of the business.

You should be a qualified accountant with a confident and enthusiastic manner and should be prepared for a hands-on role in the organisation.

Interested applicants should contact Chris Wall on 0483-67218 or write enclosing C.V. to IPTest Limited, 3 The Pines, Broad Street, Guildford, Surrey GU3 6BH.

FAST LANE

FELIXSTOWE | **£20,000**

Schlumberger Industries, world leaders within the sophisticated electronics *market, already have an enviable reputation for service quality innovation and* technology. For the young professional it can offer an unrivalled career path as a *member of it's dynamic management team – both in the UK and abroad.*

As Financial Accountant heading a small team, your responsibilities will include *reporting to UK operations in European Head Quarters.* As a finalist or *newly* qualified, you must be ready to enhance your managerial and computer skills and be keen to gain multi currency experience.

For further information contact, **Accountancy Personnel, 38 Museum Street,** Ipswich IP1 1JQ, Tel: 0473 215088.

Schlumberger Industries

FINANCIAL DIRECTOR

CONFIDENTIAL

AYRSHIRE | **To £25,000 + Directors Bonus + Car + Benefits**

This manufacturing company, which is part of a large national group, require urgently a dynamic accountant to fill the role of Financial Director.

The successful applicant, who will move straight onto the Board, will require a strong personality, proven management skills and should have a background in a manufacturing environment.

This is a real *decision making role within this autonomous subsidiary.* Be prepared to advise on strategy and help this independent profit centre move *to greater heights.*

For further information contact:
Accountancy Personnel,
93 Hope Street,
Glasgow G2 6LD.
Tel: 041 204 0944

FINANCIAL CONTROLLER

HULL | **c£22,000 + Car**

Successful manufacturing concern offer an outstanding opportunity to an ambitious accountant to take full control of its modern computerised accounts function. Strong personality, commercial awareness and a proven track record within industry will enhance your *application for this attractive* position. Apply today or lose out on what could be 'your golden opportunity' in a relatively low cost housing area with the additional benefits of excellent communication links and major city amenities.

For further information contact:
Accountancy Personnel,
Pearl Assurance Buildings,
Land of Green Ginger,
Hull HU1 2EA.
Tel: 0482 225955.

Accountancy Personnel
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PITNEY BOWES PLC

European Travel
c.£25K + car

Pitney Bowes, a leading office systems business with expanding interests in Europe and a world-wide turnover of $2.5 *billion, seeks a young qualified* ACA *and a part-qualified Accountant* with outgoing, positive personalities, capable of working on their own initiative.

As members of a small, high-calibre team, you will conduct consultancy assignments and investigations of an operational, strategic and managerial nature. You will be based in Harlow, Essex, but 30% of your time will be spent visiting subsidiary operations throughout Europe, including Paris, Rome, Vienna, Zurich, Stockholm and Helsinki.

Strong emphasis is placed on personal development with a generous training budget for UK courses plus an annual training conference in the USA. Anticipated career progression is rapid into a European Senior Management role.

We offer a first class package which includes six weeks' *holiday, profit sharing, non-contributory pension and relocation* assistance where applicable.

Please send a full CV to Colin Haines, Senior Personnel Officer, Pitney Bowes plc, The Pinnacles, Harlow, Essex CM19 5BD or telephone (0279) 26731 for an application form.

An Equal Opportunities Employer.

Pitney Bowes plc

Exceptional Business-Minded Accountant/MBA

DIVISIONAL CONTROLLER

Age 27-32 to £30k + bonus to 40% + car + share options

Our client is an international British group with turnover exceeding *£200* million and a market leader in its field. A recent institutional backed management buy-in has created an ambitious expansion plan based on organic and acquisitive growth aimed at a successful full Stock Exchange Listing in 1991.

The Group's product divisions are operated *along decentralised lines with control over* performance exercised via a small London Head Office executive team. A young Controller is sought to join this central team and to act as the 'right-hand' support to the Executive Director of a £50m turnover manufacturing-based product division serving the toiletries, cosmetics and pharmaceutical industries, with operations throughout Europe.

Your responsibilities will involve the provision of commercial advice on financial performance and control, developing operating as well as financial systems, full involvement in the management group and the restructuring of the division, critically reviewing business plans, liaising with operational management and undertaking a variety of ad hoc projects at Group and operating company level. This will involve an element of overseas travel from time to time.

You will be a graduate, qualified accountant or *MBA with demonstrated relevant financial* experience gained in a commercial or manufacturing based environment. You will be self-motivated, a good communicator with sound judgement, and possess the assertiveness and diplomatic skills to act as an effective challenge to operational management.

Interested individuals should write, enclosing a current CV together with salary details, to Shirley Knight, BA, ACMA, MBA, at FMS, 14 Cork Street, London W1X 1PF (Tel: 01-491 3431).

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INTERNAL AUDIT–FINANCIAL SERVICES

That certain difference

c.£16,000-£35,000 + car + benefits
Swindon

In the fast-moving world of financial services Allied Dunbar stands out from the crowd in many ways. Not least of these is in the running of our Audit and Controls Department. If you have the right auditing and consultancy skills, you can experience that certain difference at first hand as an INTERNAL AUDITOR or AUDIT MANAGER.

The Department's functions are far wider than in "traditional" Internal Audit departments and we work in an innovative way. Every project is seen as a partnership, and you will be directly involved in helping departments achieve their business objectives and productivity improvements. You'll actively contribute ideas and discuss their benefits with the senior management concerned.

We expect you to have a certain difference as well. Whatever your current experience, you're looking for a greater challenge and genuine career development. Your excellent communication skills make you very persuasive, and you have the stamina to work well under pressure. You're analytical and learn quickly. Most importantly you're ambitious – because there's no better place than Allied Dunbar to reach the peak of your achievements.

If you can provide these qualities we'll reward you well, with an excellent remuneration package commensurate with your experience and potential. And, of course, you'll have the satisfaction of working for one of the leading companies in the field of personal financial guidance.

Please write for an application form to: Sandy Downes, Allied Dunbar Assurance plc, Allied Dunbar Centre, Swindon SN1 1EL. Or ring her on (0793) 27812 (24 hours – answerphone).

We are an Equal Opportunities Group. Applications are welcome regardless of sex, marital status, ethnic origin or disability.

ALLIED DUNBAR
PERSONAL FINANCIAL GUIDANCE

Young Finance Manager

Central London **£22,000 to £26,000 + car + banking benefits**

Newly qualified to two years post qualification experience
Overseas reporting and analysis role for a major international banking group

Due to the expansion in activity and recent acquisitions, this high profile department within the finance function needs a newly or recently qualified accountant.

As the primary contact with overseas subsidiaries on financial issues, close liaison with local management and some overseas travel will be required.

Supported by an established team, you will be responsible for consolidation of financial statements and preparation of performance reports. A central feature of this role will be enhancing the analysis and interpretation of results.

Career prospects are excellent within both the finance and business functions for highly motivated candidates with good communication skills.

The generous benefits package includes mortgage subsidy, profit share and a non - contributory pension scheme.

Please write enclosing full career and salary details to Bernard Farmer FCCA, Barber Recruitment Limited, 17/18 Henrietta Street, Covent Garden, London WC2E 8QX or telephone 01-240 1440 (outside office hours 0462 893420)

BARBER ♦ RECRUITMENT ♦ LIMITED
Accountancy Selection Consultants
Offices in London and Welwyn

Finance Director

Derby **to £30,000 + Car + Relocation**

Our client is a jointly owned subsidiary of two highly regarded PLC's. It is a major force in the design and supply of processing machinery. The company is continuing to develop its activities both in the UK and overseas in a variety of new directions.

This new post has been created as a direct result of the company's success and expansion. The Finance Director will formul... and implement financial policy, manage the finance department and carry out the other usual functions associated with the senior financial role in a company turning over in excess of £18 million per annum. In particular the Finance Director will play a key role in evaluating the risks associated with significant export contracts and raising export finance.

The successful candidate (ideally aged between 28-40) will be expected to play a key role in the management team in all areas of commercial decision making. They will have had around 10 years' post qualification experience of financial management including a significant period in an export orientated environment.

The ability to demonstrate a track record of achievement in their previous posts is essential, particularly in respect of the quality of management information to aid decision making.

Interested candidates should write enclosing a curriculum vitae to Paul MacIldowie ACA at Michael Page Finance, Imperial Building, Victoria Street, Nottingham NG1 2EX quoting reference PM231.

MP
Michael Page Finance
International Recruitment Consultants
London Bristol Windsor St Albans Leatherhead Birmingham Nottingham
Manchester Leeds Newcastle-upon-Tyne Glasgow & Worldwide

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International

SURREY/M25 AREA

Our client is the UK subsidiary of one of the largest cable television operators in the USA installing and providing cable television services. The company has established operations in the UK and Scandinavia and plans a continual expansion of its operations through franchising and acquisitions.

Two new posts have now been created. Both will report to the Financial Vice President.

ASSISTANT TO THE FINANCIAL VICE PRESIDENT
to £28K + CAR + BENEFITS
(Ref: FT114)

Responsibilities
- Prepare financing proposals
- Assist with acquisition studies
- Liaise with banks
- Assist in special projects
- Financial analysis

The successful candidate will be a recently qualified ACA with experience of investigations and strengths in financial planning and analysis, and spreadsheet programming. The position calls for flexibility, maturity and good communication skills (oral and written).

CORPORATE ACCOUNTANT
to £26K + CAR + BENEFITS
(Ref: FT115)

Responsibilities
- Prepare consolidated financial and management accounts for the European group
- Assist with group budgets and plans
- Preparation of Corporate Office accounts
- US Financial reporting
- Group cash management

The successful candidate will be a qualified accountant with sound experience of multi-national consolidations and US accounting requirements. The position demands the ability to both communicate effectively and adhere to strict timetables.

Promotion prospects within the Group are excellent. Occasional international travel involved.

Please write in confidence, including a concise CV with daytime telephone number, a letter explaining how you fit the requirements and indicating the appropriate job reference to Steve McBride:

ROBSON RHODES
Chartered Accountants

Management Consultancy Division,
186 City Road, London, EC1V 2NU. Fax: 01-250 0801

GROUP EXPLORATION ACCOUNTANT

Clyde Petroleum plc is a leading British independent oil and gas exploration and production company; the Group Head Office is situated in a most pleasant part of Herefordshire.

A vacancy has arisen for an experienced accountant, with strong technical skills, to play an important role in the finance department.

The Group Exploration Accountant will assume overall responsibility for all accounting, cost control and financial reporting aspects of *Clyde's worldwide exploration interests, both* operated and non-operated.

An innovative and commercial approach is essential, together with the ability to communicate effectively within the company and with partners.

Candidates should be qualified accountants with several years' post-qualification experience, ideally in a similar role in the UK oil and gas industry.

Salary is negotiable according to experience *and the attractive benefits package includes a* fully-expensed car and membership of pension, profit sharing and medical benefits schemes. Reasonable relocation expenses will be met.

Please write (with CV) or telephone in confidence to:

Mr J W Price CBE
Clyde petroleum plc
Coddington Court
Coddington, Nr Ledbury
Herefordshire HR8 1JL

CLYDE PETROLEUM plc

CENTRAL

YOUNG CORPORATE FINANCE EXECUTIVE

c.£25,000 & Benefits

A string of award-winning programmes has given Central Independent TV plc, the largest seven-day contractor in the UK, an enviable reputation in the industry. The maintenance of such a high profile in a climate of significant change is a challenge to which the company has responded positively, including strengthening the financial team. Reporting to the Controller of Corporate Finance, you will be closely involved in five key areas of activity. Your remit will cover the analysis and preparation of data relating to companies of interest to Central; group taxation and VAT information and returns along with the identification and evaluation of planning opportunities; investment appraisals including DCF and lease v. purchase comparisons and the evaluation of funding alternatives.

Probably aged 25-30, you will be a qualified accountant well versed in financial evaluation and analysis and with good knowledge of corporate taxation and VAT. You will also have some understanding of treasury operations and funding decisions.

For a practical accountant with the right background who can also demonstrate the scope *for future development, this is an excellent opportunity to pursue a challenging career* path in a premium company.

Interested candidates should submit a comprehensive career resumé quoting ref: 22119/FT.

Varley Walker & Partners,
St. James House, 17 Horsefair, Birmingham B1 1DB
Tel: 021-622 1133 Fax: 021-666 6955

Varley~Walker
Human Resource Consultants

National HomeLoans

Finance Manager

Solihull, Midlands

c£23k + Mortgage + Car + Benefits

One of the most exciting and innovative financial service companies in the United Kingdom, The National Home Loans Corporation Plc, have attained their current position as market leaders in only three years of operation. In 1988 the company advanced £1.2 billion in new mortgages, and profits increased by a staggering 108% to £23.1 million. The strategy is simple – commitment to growth by diversification and the management of change.

To help achieve this corporate objective an outstanding opportunity has arisen within Group finance. Reporting to the Divisional Director – Finance and controlling a small but very high profile team, responsibilities are exciting and varied including:

★ Financial modelling of business plans.
★ Evaluation of new products.
★ Involvement in reviewing potential acquisitions.
★ Treasury management.
★ Budgetary control.
★ Group planning.
★ Commercial liaison with the most senior members of the management team.

The role demands a qualified accountant with a minimum of two years' PQE in either commerce/industry or public practice.

To be successful candidates will need a positive, self starting approach to problem solving, a willingness to work as part of a team and the interpersonal skills to communicate effectively at all levels. For candidates who can demonstrate the necessary potential, there is scope to gain excellent experience in a fast moving environment offering a superb structured career path within the group.

Interested applicants should write to Paul Toner, enclosing a comprehensive CV, at Michael Page Finance, Bennetts Court, 6 Bennetts Hill, *Birmingham* B2 5ST.

Michael Page Finance
International Recruitment Consultants
London Bristol Windsor St Albans Leatherhead Birmingham Nottingham
Manchester Leeds Newcastle-upon-Tyne Glasgow & Worldwide

Divisional Finance Director (Designate)

West Yorkshire

to £30k + Car + Substantial Bonus

Our client is an autonomous £45 million turnover multi-site manufacturing division of a highly acquisitive, rapidly expanding, quoted textile Group. Their product range has an enviable reputation in the UK and overseas, which has resulted in the successful penetration of consumer and leisure markets.

They now seek to appoint a Divisional Financial Controller who, reporting to the Divisional Managing Director, will be responsible for the total finance, business planning and DP functions. A key area of responsibility will be direct involvement in a major capital investment programme, with particular emphasis on the further development of a fully integrated management information system. As a member of the executive team, the individual will be expected to make a significant contribution to the overall management of the business.

Candidates, aged 30+, will be graduate qualified accountants, preferably with systems implementation experience gained within a fast moving manufacturing environment. Strong communication skills and the ability to make an effective contribution to the profitable development of the division are regarded as pre-requisites for this appointment. A Board appointment is envisaged and this position is viewed as a development role within the Group.

A comprehensive package including a profit related bonus scheme and full relocation facilities is available where appropriate.

Interested applicants should write to James J. Russell, quoting Ref: L8463, at Michael Page Finance, Leigh House, 28-32 St. Paul's Street, Leeds LS1 2PX. Tel: (0532) 450212.

Michael Page Finance
International Recruitment Consultants
London Bristol Windsor St Albans Leatherhead Birmingham Nottingham
Manchester Leeds Newcastle-upon-Tyne Glasgow & Worldwide

Group Financial Controller

An exceptional opportunity for an astute opportunist

North West London £28,000 – £30,000 plus car

Involved in the marketing and installation of access control/security systems, our client is currently enjoying outstanding levels of growth and profitability. As a result, a new position has been created for a dynamic young qualified accountant to guide them through this exciting phase of development and beyond.

Reporting directly to the Board, you will personally assume overall responsibility for all the group's financial activities. Your initial brief will be to update their existing systems, which they have now outgrown, through the introduction of new accounting procedures and reporting techniques. Your role will also involve assisting in the implementation of a fully integrated computing facility.

Ideally with at least two years' commercial experience, you must be able to demonstrate considerable business acumen, allied to the natural ability to think both strategically and creatively. Computer experience is essential. This is a real opportunity to make a significant impact on the business and enjoy career development commensurate with your achievements.

Excellent prospects exist, including the possibility of attaining Board status in the medium term and the possibility of guiding the company through a flotation at the same time.

Applications, giving full personal and career details, should be submitted, quoting reference SHA 1250, to Kelly Iriondo at Stoy Hayward Associates, at the address below.

SH Stoy Hayward Associates
MANAGEMENT CONSULTANTS, EXECUTIVE SELECTION DIVISION, 8 BAKER STREET, LONDON W1M 1DA
FAX: 01-487 3686
A member of Horwath & Horwath International

European Financial Controller

Package c. £35,000–£40,000

Our client is one of the principal divisions of a UK plc engaged in the design, engineering and supply of complete information systems. The division specialises in the financial sector both in the UK and internationally.

As part of an extensive restructuring programme, the division now wishes to appoint a European Financial Controller, based in London. The key task initially will be the identification and implementation of improvements to the existing control systems. The successful candidate will play a significant role in setting and achieving the division's business objectives.

This will be a broad role with considerable potential, requiring a strong commercial as well as technical awareness. The successful candidate will be involved in the pricing, accounting and control of major contracts in addition to the communication of financial information to management.

The ideal candidate will be a qualified accountant, PC literate and probably in his/her mid 30s. He/she should be able to demonstrate a strong record of controlling the finance function in a fast-moving environment. The position will involve some overseas travel, particularly to France. Our client is offering an attractive remuneration package including a performance related bonus and share options in the holding company.

Please apply to: Anthony Jones, Career Plan Ltd., 33 John's Mews, London, WC1N 2NS, tel: 01-242 5775 (or 01-348 3641 between 7.30 pm and 9.30 pm).

Career plan LIMITED
Personnel Consultants

Finance Director

RAPIDLY EXPANDING PROPERTY COMPANY

c.£40,000 + substantial bonus + car

CENTRAL LONDON

We wish to recruit an ambitious qualified accountant with knowledge of the property sector to assume the key position of Finance Director within our company.

Reporting to the Managing Director, the successful candidate will be responsible for running a young professional team and for ensuring the provision of effective financial and accounting support and advice. Enthusiasm and the potential to grow with the company are essential for this challenging role.

Please send full career details to:
Box No A1165,
Financial Times,
10 Cannon Street,
London EC4P 4BY.

New Company — New Factory — New Opportunity for a recently qualified ACCOUNTANT

c £18,000-£20,000+car North Midlands

Our clients, a large successful organisation with diverse interest throughout the UK and Europe are commencing a new venture—a combination between two multi-national parents—with likely first year sales of around £6 million.

Located in the North Midlands and supplying engineered products to the motor industry this would appeal to a young recently qualified Accountant to take the role of Company Accountant.

With total financial control reporting to the General Manager, you will be responsible for setting up computerised accounting procedures, standard costing systems; labour cost analysis; production management liaison, monthly operating statements and variance analyses; customer profitability reporting.

Candidates, aged in their 20's, should be recently Qualified CIMA/ACMA, ideally with some experience gained in a medium sized engineering environment, but now looking to gain further experience in an expanding and forward-looking organisation.

Salary will be negotiable as indicated, depending upon qualifications and specific experience, along with a comprehensive benefits package including a fully expensed company car.

Please write or telephone for a personal history form quoting reference number 1781 to:
E. M. Shill, MECI,
John Phillips Selection Limited,
Norfolk House, Smallbrook Queensway,
Birmingham B5 4LJ.
Tel: 021-643 9648.

JOHN PHILLIPS SELECTION

FINANCE MANAGER

AGE 25 - 35 LONDON

This is an excellent career opportunity to join the Management Team of this prestigious Private Hospital Complex.

The successful applicant will report directly to the Associate Executive Director/Finance and should be ACA or ACCA with at least two year's post-qualifying experience, preferably in the commercial field. Knowledge of a computerised financial accounts system and a determination to achieve deadlines are required as is the ability to supervise staff and communicate with all levels of management.

The Hospital offers an excellent working environment along with a generous salary and benefits package.

Please apply in confidence, enclosing a C.V. and salary details to Mr. Graham White, Personnel Director.

Humana Hospital Wellington
Wellington Place London NW8 9LE

Financial Controller

Cash & Carry — North London

Circa £25,000 per annum plus Bonus and Car

This young and dynamic Grocery Company has achieved outstanding turnover growth and profit ratios during the past three years. It is now planning its expansion programme into the 1990's based upon a very successful philosophy of marketing and selling a quality range of branded and own label products supported by an excellent customer service programme. As part of the future development of the business the need exists to recruit a qualified A.C.M.A. around 28 years of age, with approximately three years post qualification experience in a "trading" environment, who can take responsibility for all aspects of the Company's accounting functions. The successful candidate must be able to contribute, as a member of the Management Committee, to the general direction and performance of the business through a sound understanding of "cash planning" in a business whose turnover exceeds £20m per annum. The pragmatic ability to apply management accounting principles and practices is key to the role and a good working knowledge of computerised accountancy particularly in the area of Purchase Ledger/Pricing Control would be an added advantage. This role will appeal to a young accountant who has a commercial awareness developed from working in a fast moving trading environment.

This is the opportunity to join a young Company whose management style is very much "hands on" but where proactive and creative thinking is encouraged. Promotional prospects are, of course excellent. Please write with full career details to: Cliff Dealtry, James Allen & Associates Limited, 46 Drury Lane, Solihull, West Midlands B91 3BJ. Tel: 021-705 7399.

JAMES ALLEN
& ASSOCIATES LIMITED
EXECUTIVE SEARCH, SELECTION & DEVELOPMENT

Company Accountant

Finalist Or Recently Qualified

Northants £22,000 Package

This is a truly outstanding opportunity to join the finance function of a company who are the market leaders in Europe in the supply of plastic bottles to the beverage market. The company accountant will report to the financial controller with main responsibilities being projects and treasury, this includes capital planning, budgets, business planning, grants, cash flow control, foreign exchange planning and special assignments and investigations. Preferably aged 28-35 you will be a finalist or recently qualified with at least three years experience in industry or commerce. In addition to the attractive salary the package also includes a lease car, bonus scheme and relocation assistance where appropriate. Career prospects are excellent.

Male or female candidates should submit in confidence a comprehensive c.v. or telephone for a Personal History Form to: *G.J. Deakin, Hoggett Bowers plc, 13 Frederick Road, Edgbaston, BIRMINGHAM, B15 1JD, 021-455 7575, Fax: 021-454 2338, quoting Ref: B18039/FT.*

Hoggett Bowers
BIRMINGHAM, BRISTOL, CAMBRIDGE, CARDIFF, GLASGOW, LEEDS, LONDON, MANCHESTER, NEWCASTLE, NOTTINGHAM, SHEFFIELD, WINDSOR
A Member of Blue Arrow plc

ASSISTANT MANAGEMENT ACCOUNTANT

FINANCIAL TIMES NEWSPAPER

LONDON £15,500

The Financial Times has a vacancy for Assistant Management Accountant arising from a re-organisation of its Newspaper Management Accounting team.

The Accountant will be responsible for the preparation of monthly management account forecasts and budgets. Assistance will also be required for the production of year-end financial accounts.

Aged between 22 to 27 years, the applicants must be at part-qualified stage of a formal accounting qualification, aiming to complete the examinations within two years. Career development opportunities are considerable with the FT Group.

The successful candidate should be able to demonstrate computer literacy have at least two years relevant accounting experience, be able to work to tight deadlines and have good inter-personal skills necessary to deal with managers.

Please write enclosing a career/salary history to:

Personnel Department
Ref (FT)
Financial Times Limited
Bracken House
10 Cannon Street
LONDON EC4P 4BY

FINANCIAL TIMES
EUROPE'S BUSINESS NEWSPAPER

FINANCIAL TIMES
COMPANIES & MARKETS
Thursday March 9 1989

INSIDE

New top brass at Metallgesellschaft

Heinz Schimmelbusch (left) does not fit the sterotype of a solemn, serious West German executive. But his sometimes irreverent sense of humour belies the hard-driving businessman soon to become chairman of Metallgesellschaft, the metals, mining, and chemicals group. Aged 44, he will be one of Germany's youngest company chairmen. Andrew Fisher reports on his plans for the company. Page 18

French market watchdog sharpens its teeth

The financial scandals of the last few months have shaken public confidence in the country's financial establishment. In response, the French cabinet has considerably strengthened the disciplinary powers of the Cob, the stock market watchdog, surprising even some of the most ardent campaigners for stricter rules, finds Paul Betts. Page 22

Ultramar posts sharp rise

Ultramar, independent UK-based oil company, announced a sharp rise in after-tax profits, which it said reflected restructuring. It also revealed it planned to sell its oil business in Western Canada. Page 24

Finding gold in a green market

The "green" theme is sprouting vigorously in the UK and Japanese equity markets as investors home in on companies involved in waste clean-up, water purification and the search for chlorofluorocarbon substitutes. But in other markets, such as the US, pollution control is old hat and investors are finding little to get excited about. Page 42

China hopes for rich harvest from Soviet venture

China has long struggled with how to feed its people. More than 46m of them do not have enough to eat. In a bid to tackle the problem, the Government is discussing joint ventures with the Soviet Union. Its efforts are being hampered, however, by shortages and the after-effects of earlier land reforms. Page 30

Market Statistics

Companies in this section

Chief price changes yesterday

FRANKFURT (DM)				PARIS (FFr)			
Rises				Rises			
Henkel	520	+	3	Alsthom	517	+	12
Lufthansa	159	+	1	Radiotechnique	700	+	14
Falls				Scoa	78.8	+	7.7
Bayer Verein	369	−	5.9	Sogerap	330.1	+	11
Deutsche Bank	175	−	4	Falls			
Nixdorf Comp.	301	−	6	Intertechnique	1410	−	38
Thyssen	219.5	−	2	Labon	1352	−	46
NEW YORK ($)				TOKYO (Yen)			
Rises				Rises			
Delta Air	56	+	⅞	Chiyoda	1360	+	200
Philip Morris	114¾	+	3⅛	Hanwa	2180	+	230
Rohr	36⅝	+	2⅛	JGC	1340	+	190
Texas Air	12⅞	+	⅞	Nissin Elect	1250	+	140
Falls				Falls			
Baker Hughes	17⅛	−	⅛	Japan Steel	1260	−	90
Schlumberger	38¼	−	⅞	Kyotaru	1810	−	190

New York prices at 12.30.

LONDON (Pence)							
Rises				Platignum	17	+	3½
Abbott Mead	293	+	17	UTC Grp.	216	+	9
BICC	482	+	32	Vaux Grp.	320	+	6
Boase Massimi	306	+	26	WCRS Grp.	270	+	22
Boddington	198	+	8	Falls			
Brit. Land	377	+	12	Fisons	278	−	13
Cable & Wire	464	+	12	Jaguar	322	−	6
Chesterfield	850	+	12	Ladbroke	544	−	7
Costain Grp.	349	+	10	Miller & S'ters	200	−	25
GKN	392	+	12	Reuters B	710	−	14
Higgs & Hill	397	+	22	Wellcome	466	−	11
INSTEM	82	+	10	Whitbread A	360	−	7
Lowe H-S	419	+	20				
Meyer Int.	454	+	8				

Rhône-Poulenc advances 46% to FFr3.5bn profit

By Andrew Baxter in Paris

RHONE-POULENC, the French state-controlled chemicals and drugs group, yesterday announced a 46 per cent rise in 1988 net profits to FFr3.5bn ($570m) from FFr2.36bn the previous year.

The results, which were well ahead of analysts' expectations, confirm the extent of the group's recovery since the lean years of the early 1980s, and put it in its strongest position financially in the current decade.

Group sales rose 16.3 per cent to FFr65.3bn last year including a 7 per cent increase in volume. The full-year consolidation of the mineral chemical activities of Stauffer of the US, acquired in 1987, accounted for 4 per cent of the rise.

Along with other companies, Rhône-Poulenc benefited from the boom last year in the global basic chemical industry, lifting operating profits on the chemicals side from FFr3.48bn in 1987 to FFr4.56bn. Along with the incorporation of Stauffer, the division's development programme and productivity gains played an important part.

In the health division, operating profits rose from FFr1.32bn in 1987 to FFr1.57bn, despite some difficulties in upstream pharmaceuticals where the lower average value of the dollar last year had a negative effect.

Last month Rhône-Poulenc announced the purchase of Monsanto's bulk aspirin and paracetamol manufacturing plants, to complement its purchase last year of Bottu, a leading French aspirin pill manufacturer with a strong research base.

The agrichemicals division boosted 1988 operating profits from FFr477m to FFr779m, reflecting synergies achieved from the company's purchase of the agrichemical division of Union Carbide, making it the third largest in the world in this sector.

The fourth major division, fibres, posted a strong turnround from an operating loss of FFr305m in 1987 to profits of FFr6m. The company said this partly reflected the sustained market in Europe for polyester fibre following anti-dumping initiatives by the EC.

Total operating profit for the group emerged at FFr6.19bn, up 50 per cent from the FFr4.12bn in 1987, and despite a further heavy restructuring charge of FFr617m against FFr650m. The company said its programme to divest unwanted assets was essentially complete.

The company said prospects for the first half of 1989 were satisfactory, and the group would continue looking for acquisition opportunities, following the FFr3bn it spent on takeovers last year.

GrandMet sells US unit for $431m and takes over Metaxa

By Roderick Oram and Christopher Parkes

GRAND Metropolitan, the UK food and drinks group, has sold the S&A Restaurant unit of Pillsbury for $431m cash, ending the legal hitches surrounding its takeover of the US foods group.

In a separate move, GrandMet said yesterday it was taking over Metaxa, the Greek brandy business, for an undisclosed sum and M Kaloyannis, which makes Ouzo 12, the world's leading brand of the anise-flavoured Greek aperitif. Both are owned by the Metaxa brothers.

GrandMet appears to have got a good price for S&A. When Pillsbury was trying to fend off GrandMet's $5.75bn, takeover offer last year, analysts estimated S&A was worth around $300m.

The purchaser is an investor group led by DJS/Inverness, a small leveraged buyout specialist, and the senior management of the chain of some 380 Steak & Ale and Bennigan's restaurants. Finance is coming from Citicorp Capital Investors and other sources.

Right from the start of the takeover fight, GrandMet said it would sell S&A to overcome legal hurdles. More than 30 states have laws forbidding manufacturers and distributors of alcoholic drinks such as GrandMet from owning liquor-selling stores or restaurants.

Pillsbury tried to get some dozen states to bar GrandMet from buying its shares on those grounds but GrandMet won temporary dispensations to buy Pillsbury and quickly sell S&A. It also offered to donate to charity any operating profits from S&A during its short ownership.

Pillsbury acquired the Steak & Ale chain in 1976 and subsequently developed the Bennigan's format. Both brands were typical of Pillsbury's desultory performance that laid it open to takeover. The S&A unit generated sales of $716m in the fiscal year ended May 1988 and turned in operating income of $50m.

Profits have been falling, particularly at Steak & Ale, for a number of reasons: steak is rapidly declining in popularity; diners are drinking less; and almost a third of the Steak & Ale restaurants were in depressed oil-producing parts of the country before a number were sold.

Metaxa and Kaloyannis, are leading players in international markets. Metaxa brandy, with annual sales of 1.5m cases, is market leader in duty-free shops, and is sold in 130 countries.

As part of the Kaloyannis deal, IDV will acquire the worldwide distribution rights to Ouzo 12, which has annual sales of 900,000 cases.

IDV and Metaxa have worked together for 25 years, and the Greek company is an established distributor of IDV's J&B Rare Scotch whisky.

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Deutsche Bank set to make Spanish bid

By Peter Bruce in Madrid and **Haig Simonian** in Frankfurt

DEUTSCHE BANK of West over bid for Banco Commercial Transatlantico, a medium-sized Spanish bank. The Barcelona-based bank's shares were suspended yesterday.

Mr Wolfgang von Eckartsberg, joint general manager of the Deutsche Bank in Madrid, said a formal bid for Bancotrans would probably be made "in the next couple of days." A Deutsche Bank official in Frankfurt could not give any details about the possible size or terms of the offer.

The bid will mark a long, and, more recently, bruising attempt by the West Germans to reclaim a bank they founded in Spain before the Second World War and to enter finally Spain's booming commercial banking industry.

Last year the Bank of Spain would not let Deutsche Banktake over Bancotrans, but the government relented after a visit to Madrid a week ago by Mr Alfred Herrhausen, Deutsche Bank's president, during which he saw Mr Carlos Solchaga, Finance Minister.

Bancotrans, once owned 100 per cent by the Deutsche Bank, was confiscated by the Franco regime after the war. It ranked 31 in Spain in terms of first-half profits last year – Pta1.14bn ($10m) – and runs more than 100 commercial branches, mainly in Catalonia. Deutsche Bank presently operates two branches in Spain.

Since the late 1970s during which time British and American competitors have been able to buy small banks and their branch networks, the Deutsche Bank has acquired 39.05 per cent of Bancotrans. A further 10 per cent is held by the Baden Wurttemburgische Landesbank, in which the Deutsche Bank has an indirect interest of 12.5 per cent.

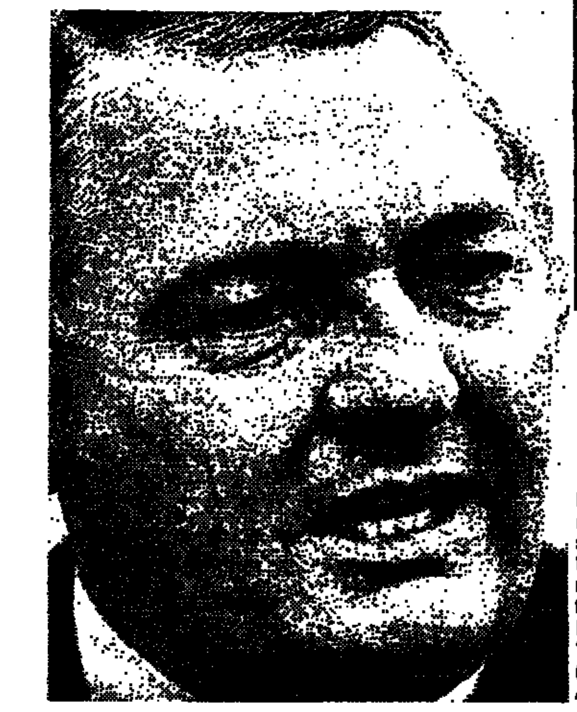
The Landesbank's purchase last year was purely coincidental, say Deutsche Bank officials, though the Bank of Spain, initially suspecting a takeover by stealth, made the Deutsche deposit 10 per cent of its Bancotrans stake with it for most of the year.

Deutsche Bank also said yesterday that it had sold its 23 per cent stake in European American Bancorp (EAB) to Amsterdam-Rotterdam Bank of the Netherlands for an undisclosed sum. Amro's stake in EAB is now 43 per cent.

EAB owns EAB Bank and Trust, a general purpose bank in the US with 89 offices around New York city.

'Tiny' Rowland repels Bond's boarding party

David Waller and **Ray Bashford** report on the surprise move to auction a stake in Lonrho



Protagonists in the six-month battle of nerves over the future of Lonrho: 'Tiny' Rowland (above) and Alan Bond

THE relationship between Alan Bond and 'Tiny' Rowland began amicably enough last summer, with a meeting on a yacht somewhere in the Mediterranean.

Whatever promises they might have made, as they basked in the summer sun, came to nothing: with yesterday's announcement that Mr Bond is seeking a buyer for his 19.8 per cent Lonrho stake, the affair appears to be entering its messy concluding phase.

Mr Rowland, who has encountered a lot of enemies during his quarter century at the helm of the London-based multinational, has all but seen off yet another adversary. And Mr Bond's credibility as a wheeler-dealer has taken a severe knock.

As one broker put it yesterday: "The whole thing is a transparent attempt to extricate himself from the situation with as little embarrassment and cost as possible. He has a huge amount of egg on his chin."

"Bond is short of cash", said another. "He hasn't got anywhere with Lonrho and he's under pressure on all fronts. He is a gambler and he's lost."

For a time, the affair looked as though it could have blossomed into something meaningful. When the Antipodean entrepreneur first emerged as a Lonrho shareholder last October, there was even speculation that he might become the 70-year-old Tiny's heir apparent at the London-based multinational.

But as Mr Bond's holding got steadily bigger, the theory developed that he was preparing a £2bn ($3.4bn) break-up bid for a company with assets ranging from The Observer newspaper and the UK's biggest car distributor, to the Ashanti gold-mine in Ghana and Western Platinum, the world's largest platinum mine.

The relationship inevitably soured and having shelled out an estimated £342m, the Mr Bond found himself at the sharp end of an almost daily barrage of stinging criticism about the state of his finances.

He went silent and stopped buying shares. They sank back to levels far lower the average 360p-370p he paid for them. A gleeful Lonrho calculated that the holding was costing him £1m a week.

Not unnaturally, Mr Bond does not see the decision to sell the stake as a débacle. Indeed, Mr Rupert Faure Walker of Samuel Montagu & Co, the merchant bank handling the disposal, stated boldly yesterday that this should under no circumstances be interpreted as a forced sale.

"Mr Bond is under no obligation to sell his 95m shares," he urged. "He went into the company in the hope of coming to some mutually beneficial agreement with Tiny. That proved impossible and it now seems appropriate to find a buyer."

However, City of London observers were a good deal more sceptical. "You would say that sort of thing too," quipped one analyst, "if you were desperately trying to sell your house."

Perplexity reigned in the market yesterday, with the shares gaining 6p to 344p. This is a half-way house between the collapse one would have expected if Mr Bond had decided simply to try to place the shares – and the leap which would have happened had there been a consensus that the stake would be sold to someone wanting to make a hostile bid.

There are several possible outcomes:

- Mr Bond finds a buyer who would be prepared to pay the premium to Lonrho's current share price as a bid platform. After all, the company is supposed to have a break-up value of at least 500p and as much as 1000p, according to Mr Rowland.
- Mr Bond finds a buyer in the form of a consortium of investors, either hostile to Mr Rowland or not. If friendly to the Lonrho status quo, the buyer could prove be Tiny's long-awaited heir apparent.
- Lonrho buys some of the shares. At the forthcoming annual general meeting, the company is seeking shareholder approval to buy in 10 per per cent of its own shares. Why not use these powers to relieve Mr Bond of his holding? The balance could be placed in the market. However, Lonrho said yesterday this path would be fraught with technical difficulties.
- Mr Bond cannot find a buyer. Under this scenario, he ends up nursing a vast, costly stake in a company which neither he nor anyone else feels able to take over. Such is the situation at Ranks Hovis McDougall, where Goodman Fielder Wattie has 29.9 per cent.
- According to one far-fetched theory, Mr Bond may have no real intention of attracting a buyer for the stake. He wants to prove to the market that the shares are not worth the more extravagant figures put upon them by others. A bid at 425p – the highest price he paid for his shares – would seem positively generous when no one wanted his stake at 385p.

Whatever the outcome, the whole affair has placed the finances of the Bond Group, and indeed Mr Bond's reputation as an entrepreneur, under more intense scrutiny than ever before.

There are widely differing views of the group's financial position, ranging from Lonrho's claim that it is "technically insolvent" and the company's assessment that it is poised for growth.

However, there is no doubt that investor uncertainty exists, exemplified by a recent slide in Bond Corporation shares. The group's borowings have been consistently high, with estimates ranging between $A5bn ($4bn) and $A7bn.

If Mr Bond disposes of the Lonrho stake he will substantially cut borrowings, but further disposals will be necessary if he is to reach his stated objective of clawing the figure back by $A2bn in the "first few months of this year."

The interest bill on these borrowings has risen dramatically during the past 12 months, partly because of the acquisition for $A850m last year of the Bell Group of companies from Mr Robert Holmes à Court, the Australian businessman, and increasing interest rates. Morgan Stanley estimates the interest charge for the year will be $A671m.

Lonrho apart, Mr Bond has been facing a threat to his credibility in Australia: The Australian Broadcasting Tribunal, the government watch-dog overseeing the broadcast industry, has been inquiring into whether he is a "fit and proper" person to hold a television and radio broadcasting licence.

Last month, the ABT ruled that Mr Bond has a case to answer on three of the allegations levelled against him. It has powers to revoke his licences, which would deny him a strong cash generating force.

Amid these testing days for Mr Bond in London, eyes will also be focusing on events 14,000 miles away as the long case grinds on.

BMP fends off French merger bid

By Nikki Tait in London

BOASE Massimi Pollitt, the British advertising and marketing services company, yesterday swept into the bid limelight when BDDP, a smaller Paris-based advertising agency group, said it had made a merger approach.

BDDP said that it envisaged making a cash offer for BMP at or around the 300p level - which would capitalise the company at around £100m ($172m) - adding that it has already acquired a 6.48 per cent stake in BMP. It stated that it had approached BMP with a view to discussing a deal, and was seeking a recommendation.

However, the response from BMP was swift and hostile. It said that it had talked to many European agencies - including BDDP - in the context of its well-publicised plans to create a European network. As far as BDDP was concerned "the conversations involved the ways of bringing BDDP into the BMP group to give BMP a French office".

It went on to say that discussions were terminated some months ago, and that the current approach "indicates how much they need to expand from their rather limited base and how little they understand BMP, its culture and development.

"The indicated offer is clearly at a ridiculous level," says BMP, "and is totally unwelcome."

Faced by this firm rebuff, BDDP and its advisers, Charterhouse, said last night that they were considering their options. The possibility of making a hostile bid was described as "just one of the options".

However, non-recommended offers in the agency sector are extremely rare and analysts were sceptical about the possibilities in this case.

INTERNATIONAL COMPANIES AND FINANCE

Balfour Beatty helps push BICC profits up 22%

By David Waller

BICC, the UK cable and construction company, yesterday surprised the stock market when it announced a 22 per cent increase in pre-tax profits to £156m ($268m) for 1988, and a 29 per cent rise in earnings per share.

Boom conditions at Balfour Beatty, the construction subsidiary, and in the cables business worldwide helped the company achieve a result well above the £144m-£149m range of brokers' estimates. The shares jumped 32p to close at 492p on the UK stock market.

Turnover grew from £2.49bn to £2.95bn, an increase of 18 per cent. Pre-interest profits grew 27 per cent to £173m, reflecting an increase in group margins from 5.46 to 5.87 per cent.

Earnings per share rose from 29.8p to 38.4p and the final dividend is to be 25 per cent higher at 11.25p per share, making 16p for the full year, an increase of 23 per cent.

Another positive factor was that the pre-tax figure was struck after an unquantified contribution from the company to the pension fund.

Payments were suspended in 1986 and 1987, boosting the pre-tax result by £11m in both years, and it was thought that a resumption of payments would dent profits growth.

Balfour Beatty did particularly well, with profits up 40 per cent to £51.3m on turnover of £1.86bn (£1.19bn last year). This division was boosted by the sale of 1,600 houses built during the year, double the number constructed in 1987.

Reflecting the benefits of continued product rationalisation, profits in the UK cables business rose 21 per cent to £45.2m on turnover up from £521m to £583m.

Having sold a significant part of its businesses in 1988, BICC Technologies reported profits down from £7.1m to £6.7m. In Australasia, Metal Manufactures improved its profits 11 per cent to £53m.

Last year, BICC expanded with the £90m acquisition of Ceat Cavi, Italy's second largest cable manufacturer. It also took an initial 20 per cent stake in Spain's leading cable maker and increased its holding in the US power cable company, Cablec, by 35 per cent.

Acquisitions chipped in £4m to the pre-interest profit figure and £43m to turnover. Improved margins at Cablec – included for its first full year – helped the North American business more than double its profits to £16.5m.

Sir William Barlow, chairman of the company and architect of its restructuring over recent years, said the figures were a milestone for the group. "After a period of consolidation, the company has achieved real growth over the last two years."

The chairman was optimistic about the future, pointing to a record order book for the group as a whole. At Balfour Beatty, the order book was up by a quarter to £1.7bn.

Wider horizons creep up on Metallgesellschaft

Andrew Fisher on the impact that changing management styles are having on the West German group

When he is in an irreverently joking mood, Mr Heinz Schimmelbusch seems far removed from the usual West German executive mould.

But the hard-driving, sometimes outspoken Mr Schimmelbusch has his serious side, too. In May, he steps up to become chairman of Metallgesellschaft, the Frankfurt group with worldwide interests in metals, mining, chemicals and industrial plant. Aged 44, he will be one of Germany's youngest company chairmen.

In the early 1980s, Metallgesellschaft, whose turnover exceeds DM15bn ($8.1bn), lost its place among Germany's corporate high-flyers. After prospering in the 1970s, it ran up heavy losses in metals trading, manufacturing and plant construction, only resuming dividend payments in 1985 after omitting them for three years.

Today Metallgesellschaft, under present chairman Mr Dietrich Natus, is growing again. Helped by higher metal prices, the improved economy and its investment and cost-cutting efforts, the group's net profits soared by 50 per cent to around DM100m ($86m) in the year ended September 1988. Final figures are due next month. Mr Schimmelbusch says "we are hopeful" that there will be a further increase this year. In the longer term, he is looking for steady rises averaging at least 10 per cent.

Heinz Schimmelbusch: on the road to expansion

The affable Austrian-born Mr Schimmelbusch, now deputy chairman, has been with the company for 18 years, eight of those on the board, so his move to the top job will not mark an immediate change of style. His direct, rather iconoclastic approach has made a deep impression on Metallgesellschaft. He joined after teaching economics at Tübingen University, and before taking up the post he insisted on being sent to Wall Street to learn about US investment banking.

So he is as much at home with the intricacies of financial markets as in the boisterous world of metal and commodities trading, which he oversees as a director. As head of Metall Mining Corporation (MMC), the quoted Toronto-based subsidiary of which the group owns 63 per cent, he is also familiar with mining and exploration.

This varied experience has helped him take responsibility for much of the restructuring at Metallgesellschaft. The company also owns Lurgi, the manufacturer of industrial plant.

"The process is not finished," he emphasises. "We're about halfway through. There is a long list of subsidiaries and relatively small and distant activities which have to be addressed." This should involve disposals, partnerships, or streamlining certain activities, and he intends this to happen fairly fast. "There should be a variety of relatively small transactions to make the company better, more defined and more easily managed."

Then, he adds, management will have more time to concentrate on expansion. "We haven't really expanded yet. We have improved, but we haven't really taken any big steps. We feel it is much better to do this from a solid, strategic base."

Two deals in Austria indicate the way Metallgesellschaft aims to go. Last December it sold its packaging interests, regarded as peripheral to its main businesses, and took a majority stake in a large tungsten operation. The packaging company was sold to Austria Metall, which is keen to expend in the European Community. The tungsten holding, adding to an existing one held by Metallgesellschaft, was bought from Voest-Alpine.

This twin deal allowed Metallgesellschaft to leave packaging, where it was a relatively small player, and move deeper into an area which is part of its core business. "We have come from a minority to a majority position in an asset close to our heart," comments Mr Schimmelbusch.

The other move, early in February, was much more expansionary. Through MMC, which groups all of Metallgesellschaft's foreign mining interests, the Copper Range mining company in the US state of Michigan was bought for up to $98m – the actual price will depend on meeting production targets – from its staff owners. MMC's portfolio already includes minority interests in Canada (Cominco and Teck), Papua New Guinea (Ok Tedi), and Australia (MIM).

Metallgesellschaft may be planning other moves. "If we see a definite chance, we shall go after it," asserts Mr Schimmelbusch. But this will only be in sectors where the group already has a technological grasp. In the group's mainstream businesses, "there is an endless row of chances. Why should we buy into a different industry and then find out how they do it?"

Management, now leaner after the restructuring, is engaged on a host of internal projects in mining, metals recycling, materials research, and combining different activities to provide integrated services, so are short of time for other activities. The company also wants to avoid paying high prices in any future ventures. Exceptions would only occur "if there is a rare jewel undetected by anyone else."

Like many German companies, Metallgesellschaft has its eye on the long term rather than the immediate future. Hence the emphasis on steady, predictable profits growth rather than quick gains which could fizzle out. This would make it easier to finance acquisitions with debt, something not done since earnings turned volatile in the early 1980s.

Those were confusing years, when the group shed such loss-making activities as a metal-forming plant in Frankfurt. Now the company has its main businesses in closer focus. "We view all our activities, without exception, as a service." Thus the company can supply, transport, and finance raw materials for customers. It also has a growing recycling business: companies pay to have industrial waste removed by Metallgesellschaft, which extracts the metals and sells them.

Such changes have made Metallgesellschaft much less subject to the gyrations of commodity markets. "We have decreased our dependence on metal prices," says Mr Schimmelbusch. "This is a pity when prices shoot up, but good when they go down." So future profit advances are expected to be steady rather than erratic.

Also, most stock is owned by big shareholders such as Dresdner Bank, Deutsche Bank, Allianz insurance, the Siemens electrical concern and Kuwait, with less than a fifth held by the public. This gives the company a solid base. "It is important for us to have large institutional shareholders," says Mr Schimmelbusch, less to protect its independence than to assure customers of long-term stability, especially for Lurgi whose large plant contracts run for several years.

From metals and chemicals trading through mining, smelting and recycling to heavy plant is a considerable spread. But to Mr Schimmelbusch, the parts form a strategic whole. This is a big change from a few years ago, when energies were devoted to eliminating losses and streamlining the group. Then, he recalls, "there was no strategy, we just cleaned up the next item." Now, the group is in a position to look far ahead.

Swiss jam maker boosts profits with acquisitions

By Our Financial Staff

HERO, the Swiss foods group best known for its range of jams, reports higher profits and plans to step up its dividend.

The company said yesterday that acquisitions had helped boost the results.

It planned to lift its dividend to SFr120 per bearer share from SFr108, and to SFr30 per registered share and participation certificate, against SFr27 last year.

Group net profit rose 28 per cent to SFr39.8m ($25.1m) from SFr31m in 1987, following a 19 per cent increase in turnover to SFr609.9m. Much of the gain stemmed from last year's acquisition of foods group Traitafina.

Account error at Noble & Lund

By Philip Coggan

MR ROSS MARTIN, a New Zealand businessman, said yesterday he had discovered major accounting errors at a subsidiary of Noble & Lund, the small UK engineering group, just three weeks after he became chief executive of the company.

The errors, at the company's Kwiklok subsidiary, apparently relate to overvaluation of working capital. They mean that Noble & Lund is likely to report a full-year loss, after making pre-tax profits of £1.14m ($1.96m) at the interim stage.

Mr Martin, who was formerly an executive in Sir Ron Brierley's group of companies, has appointed Peat Marwick McLintock, the accountants, to investigate the errors and the shares have meanwhile been suspended at 96p.

The investigation also means that Noble & Lund's full year results, due to be announced on March 13, have been postponed and that the proposed offer for Theseus Investments will not now proceed. Mr Martin and Mr Peter Williams own 33.9 per cent of Theseus, a medical and dental supplies distributor quoted on the New Zealand stock market and the plan was to reverse Theseus into Noble & Lund and sell off the latter's old engineering interests, based in Gateshead.

Noble & Lund became an aspiring miniconglomerate in 1985, when Mr Terry Galgey, a Eurobond dealer, put together a consortium to buy a majority stake in the group.

The shares leapt ahead on hopes of growth and Mr Galgey was able to acquire a series of companies including Kwiklok, a flat pack furniture maker.

Mr Galgey has since left the group and the arrival of Mr Martin and Mr Williams, who took a 6 per cent stake, seemed to herald a new era of growth for the company.

Mr Martin said yesterday that the Theseus deal might yet proceed and he was not discouraged. "We think it is an isolated problem and we have discovered it quickly," he added.

VNU lifts its dividend by nearly a sixth

By Our Financial Staff

VNU, the biggest publisher in the Netherlands, is lifting its dividend by close to a sixth following a good increase in profits for 1988.

The company, which acquired the Audet newspaper publishing group last year, says that profits after tax rose to Fl 133.5m ($63.8m) from Fl 113.3m.

The dividend is going up from Fl 3.20 a share from Fl 2.75 a share in 1987.

Operating profits totalled Fl 224.5m, against Fl 185.7m for the year before. Sales for the year rose to Fl 2.5bn from Fl 2.29bn.

Aussedat Rey takeover approved by government

By Paul Betts in Paris

THE FRENCH Government has formally approved the proposed FFr2.2bn ($349m) friendly acquisition of Aussedat Rey, the French paper group, by International Paper of the US.

The Government's attitude to the deal was widely regarded as a test of French attitudes towards foreign takeovers, especially after President François Mitterrand's recent criticisms of stock market raiders and what he described as "predatory money."

However, the French finance and industry ministries both said yesterday that the Government had now decided to give the formal go-ahead for the takeover.

Last month Aussedat Rey accepted FFr2.2bn from International Paper which also promised to finance FFr2.85bn worth of investments for Aussedat Rey.

Although Arjomari Prioux, France's largest paper group, offered to match International Paper's offer, Aussedat Rey preferred the US bid.

The Government has not decided on another proposed takeover of a French company by a US group: the acquisition of industrial sponge maker Spontex by 3M for FFr1.1bn.

INTERNATIONAL COMPANIES AND FINANCE

CRA net soars to record A$449m

CRA, the Australian resources group, plans to double capital spending after record profits announced yesterday for 1988, Reuter reports from Melbourne.

High base metal, aluminium and copper prices overcame a strong local dollar to help the company, a 49 per cent owned associate of Britain's RTZ Corporation, lift equity-accounted net profit 93.5 per cent to A$449.1m (US$363.3m) on sales 8 per cent higher at A$5.81bn.

Mr John Ralph, managing director said yesterday that CRA should exceed that profit in 1989. It would take advantage of sharply lower debt to seek acquisitions, he added.

CRA almost halved debt during 1988 to A$1.1bn. "We will expand where first class opportunities exist," Mr Ralph said. "We are well positioned to make acquisitions to make additional growth." The group plans to double capital spending in 1989-90 to around A$1bn.

The result came before a net extraordinary profit of A$152.6m against A$90.6m. Some A$238.7m is being paid out in 1988 dividends, with a final distribution of 20 cents making 42 cents for the year against 19 cents.

Mr Ralph said CRA gained from maintaining investment during a downturn in the early 1980s: "We got through it without making the sacrifices which come back and bite you later."

Growth would come from acquisitions, probably in minerals and power generation, and from strong growth and efficiency improvements in iron ore, coal and copper, and development of gold interests in Papua New Guinea, Mr Ralph said.

"Our plan is to continue to strengthen our commodity operating base. Prices are going to be much more favourable over the next decade than they have been over the last. Demand is firm and inventory levels are all at historic lows."

Aluminium was CRA's biggest revenue earner, through the 67 per cent owned Comalco, contributing almost half the profits at A$263.8m, up from A$112m.

Iron ore contributions to profit rose to A$92.1m from A$54.2m. Those from copper and gold rose slightly to A$71.6m from A$69.1m while lead, zinc and silver from Pasminco, CRA's joint venture with North Broken Hill Peko, yielded A$24.4m against a A$10.4m loss for the division in 1987.

Mr Ralph identified coal as a sector for expansion. Coal profits in 1988 more than doubled to A$39m. CRA yesterday moved further toward its ambition of becoming a major electricity provider with a joint venture pact to study building a coal-fired power station in Western Australia.

Executives of CRA and Barrack House Group, a private Perth investment group, said they had formed a company to consider building a 1,000 megawatt power station fed by CRA's Hill River coal deposits, 180km north of Perth.

The study envisages a A$1bn power plant to be in operation by 1994, fuelled by more than 100m tonnes of reserves.

CRA already operates three of its own power stations in Papua New Guinea and Australia. The company has plans for a large coal-fired station in New South Wales, and another in Whangarei, New Zealand, fed by Queensland coal.

Comalco has said it also wants to take over the government-run Manapouri hydroelectric power station which supplies electricity to Comalco's Tiwai Point aluminium smelter in New Zealand.

Burns Philp raises profit 27% in first six months

BURNS PHILP, the Australian manufacturing and trading group, yesterday reported equity-accounted net profits up 27 per cent to A$46.2m (US$37.4m) in the first half to December despite large currency translation losses, Reuter reports from Sydney.

The company, a leading maker of vinegar and yeast as well as a hardware retailer, said the full-year result would be satisfactory but that profit in the second half was not expected to be as high as in the first due to seasonal factors.

Mr Andrew Turnbull, chief executive, said: "Demand from the Australian building industry is continuing at high levels. Recent devaluation in the Australian dollar, if sustained, will have a favourable impact on the translation of international earnings."

Sales were A$880.2m compared with A$631.4m, with other revenue of A$44.3m against 39.9m. The interim dividend is 7.5 cents a share, up from 5 cents, and is one quarter franked for tax purposes.

● Arnotts, an Australian foods group, yesterday reported a 27.9 per cent rise in attributable net profit to A$28.3m (US$22.9m) in the six months to December and said the main reason was the reduction in company tax rate to 39 per cent from 49 per cent, Reuter reports from Sydney.

Pre-tax profit rose only 3.2 per cent to A$48.1m. The construction of a large biscuit factory held back growth.

Arnotts is paying an interim dividend of 7 cents plus a second interim of 3.5 cents, to ensure that all shareholders receive their payments fully franked. Last year 9 cents was paid.

Exchange rate shifts help S African asbestos duo

MSAULI AND Gefco, South Africa's two quoted asbestos producers, registered strong profit improvements in 1988 after control was sold to management, writes Jim Jones in Johannesburg.

The two were helped by favourable exchange rate shifts last year. Both are diversifying away from asbestos and are participating in a small gold mine development near Msauli's property in the mountains along South Africa's eastern border with Swaziland.

Gefco, which produces crocidolite (blue asbestos) and amosite at mines in the northern Cape, lifted sales to R84m ($33.3m) from R64m and earned a pre-tax profit of R14.0m against the previous year's R1.2m loss. The company restrained production at its various mines during the first three quarters but lifted output in the final quarter after stocks had been reduced.

Msauli, a producer of chrysotile asbestos at its eastern Transvaal mine, lifted turnover to R57m from R40m with the mine and mill operating at full capacity. Its pre-tax profit rose to R11.4m from R2.0m.

Control of the two companies was sold by Gencor, their former parent, last year when it appeared that health fears would continue to affect asbestos markets. It was thought that people affected by asbestos fibre might litigate against the mines.

Msauli's earnings rose to 177.2 cents a share from 31.6 cents and dividend payments have been resumed with a 35 cents distribution. Gefco has declared a 12.5 cents dividend from earnings of 36.6 cents. In 1987 its attributable loss was 14.7 cents a share.

Wardley advances 10%

By Michael Marray in Hong Kong

WARDLEY HOLDINGS, the merchant banking arm of Hongkong and Shanghai Banking Corporation, registered a 10 per cent increase in net profits last year to a record HK$473m (US$60.6m).

The dividend paid to the Hongkong Bank, which is due to report its own 1988 results next Tuesday, was maintained at HK$340m, while total assets grew to HK$32.8bn from HK$30.4bn.

Mr Bernard Asher, chief executive of Wardley, said that slower economic growth anticipated for 1989 may make it difficult to maintain the level of earnings this year, especially in an environment of rising costs in areas such as wages and rentals.

A total of US$1.3bn in equity issues was underwritten or co-underwritten by Wardley in 1988, while the value of project finance successfully advised on and arranged stood at US$3.7bn. Fund management remained an important area of business. During 1988 aircraft financing transactions totalled US$720m.

Sale boosts IEP earnings

By Michael Marray

INDUSTRIAL EQUITY Pacific, the Hong Kong listed subsidiary of Sir Ron Brierley's New Zealand-based Brierley Investments, has reported net profits of HK$893m (US$114.5m) for the six months to December, up from HK$668m.

The company said the profit derived largely from the sale of the group's stake in CalMat, the Los Angeles cement producer, at a substantial surplus over book value.

Turnover leapt to HK$17.55bn from a previous HK$9.53bn. This was largely as a result of the contribution from Tozer Kemsley and Millbourn, the UK motor trader which on Tuesday reported full-year pre-tax profits up 36 per cent to £44.1m (US$75.9m).

Control of IEP passed from Australian-based Industrial Equity (IEL) to Brierley Investments, the New Zealand parent. IEP's own acquisitions included 100 per cent of Associated Hosts, a US restaurant chain, and an 85 per cent stake in Steego, distributor of automotive and engineering supplies in the US and Canada.

INTERNATIONAL APPOINTMENTS

JP Morgan reorganises management structure

J.P. MORGAN, the US holding bank that owns Morgan Guaranty Trust, has made two separate organisational moves to involve its executives more directly in the management of the group.

A management committee comprising eight executives has been set up including Mr Lewis Preston, chairman and chief executive officer; Mr Dennis Weatherstone, president and Mr John Ruffle, vice chairman.

The committee aims to improve analysis of important issues, decision-making and communications by integrating policy and planning with day-to-day management. The corporate office will continue to be responsible for policy and planning.

The company has also set up a global support group to realign its operational and support activities.

The group plans to reduce costs by advising on business priorities for investment. It will also manage operational services sold to clients on a worldwide basis such as cash management services.

★

MEDTRONIC MDT, the US producer of implantable cardiac pacemakers, has elected Mr William George president and chief operating officer. He will succeed Mr Winston Wallin, who remains as chairman.

Mr George, who will be responsible for Medtronic's cardiovascular businesses, has been president of Honeywell's space and aviation systems business since December 1987.

★

M/A-COM, the New England-based manufacturer of telecommunications systems and equipment, has elected Mr Thomas Burke chairman. The position has been vacant since February 1986, when Mr Richard Dibona stepped down due to illness.

Mr Burke is now chairman, president and chief executive officer of the company.

★

AHMANSON (HF), the California-based property, insurance and mortgage company, has appointed Mr Jack Frazee executive vice president and chief financial officer.

Mr Frazee, who succeeds Mr Calvin Wallace who is retiring, was executive vice president and chief financial officer at Union Bank for 10 years before joining Ahmanson.

★

CSR, the Australian-based building materials group, has appointed Mr Alan Coates to the post of chairman. The move will follow the retirement of Mr Keith Steel on May 31.

Mr Coates is chairman of Brambles and a director of a number of companies including CRA and Pacific Dunlop.

INTERNATIONAL COMPANIES AND FINANCE

Chrysler, Renault in joint venture

By Kevin Done, Motor Industry Correspondent in Geneva

CHRYSLER, the US automotive group, and Renault of France are to invest around $600m in their 50-50 joint venture to produce a small four-wheel drive sports/utility vehicle in the early 1990s.

The joint manufacturing venture with Renault is the most ambitious step yet taken by Chrysler to re-establish a presence in Western Europe following its forced withdrawal at the end of the 1970s in the middle of a financial crisis.

Mr Mike Hammes, Chrysler vice president for international operations, said the vehicle, codenamed the JJ, would be manufactured at two existing assembly plants, one in North America, and one in Western Europe, most probably in France, Spain or Portugal.

Production would begin in 1992 with each plant having a capacity to produce 80,000-100,000 vehicles a year.

The new vehicle will compete in a fast-growing sector, which has been dominated by Japanese vehicles such as the Suzuki SJ series and the recently launched Suzuki Vitara.

Mr Hammes said Renault and Chrysler would share equally the output from the European plant, while all the production from the North American facility would be distributed by Chrysler.

The location of the European plant would be decided in April, said Mr Hammes. A decision is due on the North American location in June.

The new vehicle will be manufactured in modular form in a process that would be a technological breakthrough for the auto industry, said Mr Hammes.

Both left and right-hand drive versions would be manufactured, and the company would use the vehicle to re-enter the UK market.

Chrysler sold its European vehicle manufacturing operations to Peugeot of France in 1978.

Mr Hammes said they would seek to appoint an importer/distributor in the UK next year.

Chrysler returned to several continental European markets last year with the launch of a range of cars, four-wheel drive Jeep vehicles and its Voyager, the so-called mini wagon or "people carrier."

Mr Hammes said vehicle shipments to Western Europe last year totalled some 30,000 units, while sales amounted to around 17,000 vehicles. The biggest market was West Germany, which accounted for shipments of 13,200 vehicles.

Chrysler began selling vehicles last year in West Germany, Austria, Belgium, Holland and Switzerland in addition to its existing distribution in Scandinavia and Jeep sales through Renault in France and Italy. It is re-entering the French car market this year.

It now has a network of 650 dealers in West Europe, including some 300 franchised Renault dealers in France and Italy, and is aiming to increase this to 750 by the end of the year.

Mr Hammes said Chrysler was planning to ship some 50,000 vehicles to Europe in 1989, of which some 5,000-8,000 would be used to build dealer stocks.

He added that Chrysler was aiming to increase its sales in Western Europe to around 100,000 vehicles a year by 1992-94, including some 30,000 units of its planned European-produced sports/utility vehicle.

It is also expanding its foreign sales in other markets, including Taiwan and Japan.

Sales of its international operations are expected to double this year to some $2bn. Last year it shipped some 70,000 vehicles abroad, of which nearly half were exported to Europe.

Chrysler, which owns Lamborghini and 15 per cent of Maserati in Italy, has recently agreed a distribution joint venture with Fiat for the sale of Alfa Romeo cars in the US.

At the same time, Hyundai, the South Korean car maker, is to make some 30,000 saloons a year for Chrysler at its new Canadian plant starting in 1991.

Mr Hammes said much of the company's growth would come from partnership ventures. It is already manufacturing cars in the US in a 50-50 joint venture with Mitsubishi of Japan, in which it owns a substantial minority stake.

Troubled Coleco considers sale option

By Anatole Kaletsky in New York

COLECO Industries, the US toys group which filed for bankruptcy last year with debts of more than $500m, is exploring a sale of the company as an alternative to the financial restructuring suggested by management two months ago and bitterly opposed by unsecured creditors.

Mr Brian Clarke, the company's president, told the US District Court in New York that a sale of the company, well-known for its Cabbage Patch Kids dolls, had been approved by Coleco's board and the committee representing unsecured creditors in the bankruptcy proceedings.

Mr Morton Handel, chairman, said no offers had yet been received, but he refused to say whether talks had been held with possible bidders.

The company had proposed converting $417m of unsecured debt into common stock worth about 36 per cent of the reorganised company. The sole secured creditor, Carlyle Capital, would receive partial repayment and stock worth up to 55 per cent of the equity.

Carlyle bought all of Coleco's secured debts, with a face value of around $67m, from its bank creditors last year. Existing shareholders would receive about 5 per cent of the equity and 4 per cent would go to present and future members of the management team.

While Carlyle supported this plan, it was denounced as "totally inadequate" by the unsecured creditors. Yesterday's announcement that an outside buyer was being sought appeared to be a response to the creditors' protests. The Bankruptcy Court's approval would be needed for any financial restructuring or sale of Coleco, in whole or in part.

Bridon loses interest in Bethlehem

By Clay Harris

BRIDON, the wire rope manufacturer, has dropped its effort to buy the wire rope division of Bethlehem Steel after objections by the Federal Trade Commission. The second largest US steel group has now agreed to sell the company to Mr John Sheehan, a Pennsylvania businessman.

The UK company said its decision followed "protracted and inconclusive discussions" with the FTC. Mr David Allday, Bridon managing director, said yesterday: "We came to the conclusion about four weeks ago that we never stood a chance."

Until then Bridon was prepared to pay $12m to $14m for the money-losing Williamsport factory, which is operating on skeleton staff while it runs down its huge stocks. Bridon was concerned about erosion of Bethlehem's market share.

Bridon has a wire and wire-rope operation at Wilkes-Barre, Pennsylvania, about 50 miles from Williamsport. Bridon is believed to have 15 per cent of the US wire-rope market, compared with 20 per cent for Bethlehem and 38 per cent for the market leader, privately owned Wireco.

The FTC's objections indicated that not only would the Bethlehem link be barred but also that Bridon was unlikely to be allowed to buy either of two smaller US groups which might give it the necessary breadth of product lines.

Bridon would have to look to other means to strengthen its US market position.

Bethlehem had warned the FTC it planned to shut the plant if Bridon was not allowed to buy it, and it gave such notice early last month when the FTC's objections became known. At the last minute, however, Mr Sheehan emerged.

Petrofina agreement confirmed

By Tim Dickson in Brussels

THE confirmation yesterday that Belgium's two major holding companies have agreed to shuffle stakes in the energy sector – notably in relation to the giant oil concern Petrofina – focuses new attention on Mr Albert Frère, the 63-year-old head of Groupe Bruxelles Lambert(GBL).

Mr Frère was once the uncrowned king of the Belgian steel sector but since 1982 when he swept to power at GBL, a deal maker with increasingly European and international ambitions, he would appear to have emerged with a strong deck of cards from the latest agreement with GBL's chief domestic rival Société Générale de Belgique (SGB).

Under the terms of the deal, for example, he realises a long harboured ambition to play a more central role in Petrofina with the acknowledgement that GBL "aims to own" a direct and indirect stake of 25 per cent (enough crucially for a blocking minority and therefore a strong say in the running of the company), against roughly 20 per cent at the moment.

Mr Frère will also retain a substantial 26 per cent holding in the leading Belgian energy and telecommunications concern Tractebel.

SGB, meanwhile, intends to reinforce its traditional position at Tractebel by taking its stake to 39 per cent, but its investment in Petrofina (predominantly Tractebel's 10 per cent stake) falls to just 12.5 per cent, against around 15 per cent previously.

The means by which this will be achieved were not spelt out in great detail yesterday but there is to be a share swap of roughly similarly valued holdings, including the passing to GBL of SGB's 26 per cent stake in Electrafina (which owns 5 per cent of Petrofina). Neither side was prepared to reveal their previous stakes in Tractebel.

Furious battle

The background to yesterday's developments is partly what one analyst yesterday described as "Mr Frère's long love affair with Petrofina" – but also important was the furious battle for control of SGB in 1988, which ended with the French investment bank Compagnie Financière de Suez gaining control.

As a result of this Mr Frère's close relationship with the old SGB management appeared to be breaking down last year as stock market rumours swirled about that GBL and SGB were frantically bidding against each other for Tractebel stock.

The negotiations of the last few weeks and yesterday's announcement can be seen as an effort to end this period of hostilities or, in the somewhat sanitised words of the joint communique, to pursue "in a lasting way the collaboration which has given full satisfaction in the last few years."

Both sides talk of a friendly relationship – and the news yesterday that SGB will take a 10 per cent stake in the Frère company Fibelpar so that the collaboration previously enjoyed through Electrafina may be continued is a sign of it. However, few brokers in Brussels believe that the old tensions will not resurface some day.

The immediate aim of the two companies, said yesterday's statement, is to give Petrofina and Tractebel a stable and powerful shareholding which will give to these companies the means they require to develop their respective strategies to the great benefit of other shareholders and the employees.

For GBL the move is an important step in its aim of increasing its presence in the energy sector, which is second only to financial services in the group's activities.

It is also a welcome distraction from the spotlight which has shone on its 30 per cent holding in troubled New York investment bank Drexel Burnham Lambert – a connection which, although decreasingly important in its contribution to earnings, has tarnished its image and affected its stock market rating in the past couple of years.

Euroc sees increase after acquisitions

By Sara Webb in Stockholm

EUROC, the Swedish building materials, engineering and trading group, said yesterday that it expects to see a further increase in profits and sales in 1989 as the effects of recent acquisitions emerge fully.

The board announced plans to raise the dividend from SKr6.5 to SKr8 per share, following last month's reported 76 per cent jump in profits (after financial items) to SKr821m ($129.5m) for 1988 which was accompanied by a 40 per cent sales rise to SKr9.493bn.

The group is to increase its share capital from SKr582.6m to SKr873.9m, after writing up its property and investment company interests, and proposes a three-for-one share split.

In its final report, released yesterday, Euroc said 1989 sales are expected to reach SKr11bn (since its acquisitions will then have been consolidated for the whole year) while profits should "exceed the 1988 level."

Last year's profit increase was achieved through restructuring measures, strategic acquisitions, strong demand in the building sector, and the full use of capacity, the group said.

The cement and minerals division increased its profits by 60 per cent to SKr414m while orders more than doubled from SKr4.87bn. Euroc's acquisition of Castle Cement helped boost results, though strong demand from the construction market also contributed to the rise.

Profits from the building materials division, which sells concrete and plasterboard, increased by 43 per cent to SKr285m, helped by lower production costs. Orders increased by 22 per cent to SKr1.67bn.

Asko to lift payout on rise

By Haig Simonian in Frankfurt

GROUP sales at Asko, the ambitious West German retailer, reached DM14.5bn ($8bn) last year from DM12.3bn in 1987, and the company plans to raise its dividend to DM15 for each ordinary share from DM10 a share in 1987.

Mr Helmut Wagner, Asko's chief executive, said group profits, which are equity accounted to include a proportion of earnings from Massa, the hypermarket chain in which it owns just under half the shares, would rise to DM110m-DM115m in 1988 from DM80m in 1987 according to the DVFA formula. The DVFA is the German Financial Analysts Association.

However, even the ebullient Mr Wagner was on the defensive yesterday after adverse publicity about Asko in the light of the financial scandal at Co op, the German retailer on the verge of bankruptcy.

Mr Wagner was anxious to avoid any comparisons with Co op, despite criticism of Asko's own complex corporate structure. He claimed Asko's construction had actually saved it from takeover by Co op in the early 1970s, thanks to the 25 per cent of its shares which are held by GBS.

The latter is a 100 per cent subsidiary of Baugru, in which Asko owns virtually all the shares but only has a 49 per cent voting right. Asko's executives stressed the divestment, rather than acquisitive, side of their corporate strategy, which has seen the group multiply its turnover via takeovers.

INTERNATIONAL CAPITAL MARKETS

Mixed reception for Chrysler FRN

By Andrew Freeman

DEALS AIMED at specific pockets of investor demand dominated new issue activity on Eurobond markets yesterday as syndicate managers were reluctant to tap sectors where demand is uncertain.

One deal aimed at the general market, a US$150m five-year floating-rate note issue for Chrysler Financial Corporation, found a mixed reception.

The bonds were priced at par with a yield ⅛ point above three-month Libor, and carried an option whereby investors can convert the notes into fixed-rate bonds on any coupon date until 1991. The fixed-rate bonds will carry a coupon of 9½ per cent and will mature in 1996.

A Paribas official said the option allows investors to take a view on US interest rates, benefiting from high short-term rates, but effectively hedged against any significant fall. Some traders said they felt the option was far too expensive to justify buying the bonds and thought cheaper and more natural hedges were available.

The deal, which was unswapped, was launched in afternoon trading and the bonds were quoted by the lead manager, Banque Paribas Capital Markets, at 99.75 bid, a discount equivalent to underwriting fees of 25 basis points.

IBJ International was the lead manager on a $200m deal for IBJ Finance. The four-year bonds carry a coupon of 10 per cent and were priced at launch at 101.45 per cent to yield 41 basis points over the equivalent US Treasury. The proceeds

INTERNATIONAL BONDS

were swapped into floating sterling to achieve an attractive funding rate.

An IBJ official quoted the bonds at less 1½ bid, well inside underwriting fees of 1⅝ per cent. There was strong Far Eastern demand for the 10 per cent coupon, while the lead manager also reported switching activity out of IBJ 9¾ per cent 1993 bonds, which were trading at a spread of only 27 basis points over US Treasuries.

A seven-year $150m issue for Kyushu Electric Power was launched by Daiwa Europe. The bonds came with a 10 per cent coupon and were priced at 101⅝ to yield 52 basis points over the equivalent Treasury. The issue proceeds were swapped into fixed-rate yen.

Kyushu is one of nine regional generating companies in Japan and a well-known borrower in domestic markets. Demand from Japan and the Far East was heavy and the bonds were quoted by the lead manager at less 1¾ bid, well inside fees of 1⅞ per cent. The deal was helped by a timely rally in seven-year US Treasuries.

Daiwa also brought an equity warrant deal, a $200m five-year issue for Settsu Corporation which carried an indicated coupon of 5¼ per cent. Settsu issued a five-year deal last year and repeated the structure to avoid the coincidence of maturities. The new bonds had a slow start, and were trading at the par issue price.

A Daiwa official said some investors preferred existing Settsu warrants which could be bought at a lower premium than the new paper.

Elsewhere, an A$100m five-year issue for the Commonwealth Bank of Australia (CBA) was launched by Deutsche Bank Capital Markets. The bonds carry a coupon of 15¾ per cent and offered a yield pick-up of some 70 basis points over existing CBA paper.

The lead manager said it had identified specific demand for longer-dated Australian dollar paper from German and some Swiss institutions which wanted to lock away a high yield. The bonds traded within fees at less 1.90 bid, before closing on fees at less 2 bid.

In Germany yesterday, secondary market prices fell across the board. Supranational issues were marked down by around ¼ point in low turnover. The DM300m deal for Hydro Quebec launched by Westdeutsche Landesbank late on Tuesday was trading just outside fees at less 2¼ bid.

Although there was steady demand for the Hydro bonds, which were described as fairly priced, traders commented that the issue's performance was depressed by a feeling that there was more paper in the market than there was investor demand.

Tuesday's DM100m issue for Beiersdorf, the pharmaceutical company which makes Nivea products, continued its strong performance, quoted in grey market trading at less 0.80 bid, well inside underwriting fees of 2¼ per cent.

In Switzerland, Crédit Suisse was the lead manager of the first zero-coupon deal to be launched since mid-1988, a SFr300m five-year deal for Mitsubishi Oil.

The bonds carry a generous investor put option at 108 against a par issue price, and this feature encouraged strong demand. The bonds were trading at less 1 bid, well inside fees of 1⅝ per cent.

According to syndicate officials, the Inter-American Development Bank is expected imminently to launch a public bond issue. The bank would be the first triple-A rated public offering since the Swiss market deteriorated earlier this year.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
US DOLLARS						
IBJ Finance Co.(a)◆	200	10	101.45	1993	1⅝/1⅛	IBJ Int.
Kyushu Electric Power(a)◆	150	10	101⅝	1996	1⅞/1¼	Daiwa Europe
Chrysler Fin. Corp.(b)‡◆	150	⅛	100	1994	25/10bp	Banque Paribas Cap.Mkts
Settsu Corp.♦	200	(5¼)	100	1994	2¼/1½	Daiwa Europe
CANADIAN DOLLARS						
Soc. Generale Accept.(c)◆	50	14½	101⅛	1990	⅞/½	Societe Generale
AUSTRALIAN DOLLARS						
C'wealth Bk of Australia◆	100	15¾	101⅞	1994	2/1¼	Deutsche Bank Cap. Mkts
ECUs						
Kredietbank Int.Fin.(d)◆	40	14	101¾	1990	1/⅝	CSFB
SWISS FRANCS						
Mitsubishi Oil Co.(e)★★§	300	(Zero)	100	1994	1⅝	Credit Suisse
Final terms fixed on:						
Juki Corp.(f)★★♦◆	100	1	100	1994	n/a	Credit Suisse
YEN						
National Bk of Canada◆	5bn	(g)	101.80	1994	1⅞/1¼	Yamaichi Int. (Europe)

★★Private placement. ♦With equity warrants. §Convertible. ◆Final terms. ‡Floating rate notes. a) non-callable. b) ⅛ over 3-month Libor. Convertible on any interest payment date until April 1991 into fixed rate bond with coupon of 9½% due April 1996. c) Redemption in either C$ or US$ (C$1,000 per US$944.625). d) Redemption in Ecu or US$. e) Indicated put option at 108 to yield 2.599%. f) Coupon cut by ⅜% from indication. g) Step-up coupon: Short first coupon 5%; 89-91 2%; 91-94 7%.

FT INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market.

Closing prices on March 8

US DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Abbey National 7½ 92	200	†92⅝	93⅛	0	0	10.42
B.F.C.E. 7 92	150	92¼	92⅞	0	0	10.05
B.F.C.E. 9¼ 95	150	96⅞	97⅜	0	+0⅛	9.86
Bell-Tel. Fin. 9⅛ 98	250	96¾	97¼	0	+0¼	9.85
Canada 9 96	1000	97⅛	97⅝	0	+0⅛	9.53
Canadian Pac 10⅜ 93	100	†100½	101⅛	0	0	10.42
C.C.C.E 9¼ 95	300	97	97⅜	-0⅛	-0⅛	9.91
G.M.C.A 9⅝ 93	150	97⅞	98¼	-0⅛	-0⅞	6.88
Credit Lyonnais 9 91	200	†98⅛	98⅝	+0⅛	+0⅞	9.87
Credit National 8¼ 93	200	94⅛	94½	0	0	9.97
Credit National 7⅞ 92	100	93	93½	+0⅛	+0⅛	9.97
Credit National 9½ 92	160	99⅛	99⅝	+0⅛	+0⅜	9.68
Dai-Ichi Kan 9⅝ 92	150	98½	99⅛	-0⅛	-0⅜	10.02
Denmark 7⅛ 92	500	92½	93⅛	0	+0⅛	10.05
E.E.C. 7 91	100	92⅞	93⅜	0	0	9.96
E.E.C. 7¼ 93	250	91	91½	-0⅛	-0⅛	10.01
E.E.C. 8 90	350	†96⅞	97¼	0	0	10.35
E.I.B. 7⅝ 93	100	91¼	91¾	0	-0⅛	9.93
E.I.B. 9⅜ 97	150	97	97⅜	-0⅛	0	9.87
Elec.De France 9 98	200	94⅞	95¼	-0¼	-0¼	9.86
Finland 7⅞ 97	200	89	89½	+0⅛	0	9.89
Finn.Exp.Cd. 8½ 92	200	95¼	96¼	0	+0⅛	10.10
Finn. Exp. Cd. 9⅜ 95	200	96⅞	97¼	-0⅛	0	9.99
Ford Motor Credit 8 91	250	†96	96½	0	+0⅛	10.12
Gen.Elec.Cap.Corp. 9 93	500	96⅛	96⅝	0	+0⅛	9.98
Gen Elec Credit 10⅛ 00	200	99½	100⅛	0	-0⅛	10.28
Gen.Mtrs.Corp. 9⅛ 92	200	97⅛	97⅝	-0⅛	0	10.05
Halifax BS 9½ 93	200	†97⅞	97⅞	-0⅛	-0⅛	10.18
IBM Credit Corp. 8⅞ 91	250	97½	98⅛	-0⅛	0	9.84
IBM Credit Corp. 9½ 92	250	99⅝	100⅛	+0⅛	+0½	9.54
Italy 9½ 95	1000	97⅞	98⅜	+0⅛	+0⅛	9.88
Italy 9⅝ 99	1000	98⅜	98⅞	+0⅜	+0⅛	9.87
L.T.C.B of Japan 8 91	100	95	95½	0	0	10.26
L.T.C.B. of Japan 9¼ 92	200	97⅜	97⅞	0	0	10.02
Metropolis Tokyo 9½ 93	200	99⅜	99⅝	-0⅛	-0⅛	9.68
Nippon Tel.&Tel. 9⅝ 98	250	96⅞	97⅜	-0⅛	+0⅛	9.83
Norway 8¾ 93	500	96¼	96¾	0	+0⅛	9.85
Portugal 8⅛ 91	300	†95¼	96¼	-0⅛	0	10.52
Prudential Crp. 8⅞ 94	125	95⅛	95⅝	0	+0⅛	9.88
Qantas Airways 10⅜ 95	140	101⅝	102⅛	0	+0⅛	9.94
Saskatchewan 10¼ 92	100	101½	102	-0⅛	-0⅛	10.04
State Bk S Aust 9¼ 93	100	97⅛	97⅝	0	0	10.08
Sumitomo Bank 9⅝ 92	150	99	99⅜	-0⅛	-0⅛	9.89
Swed Exp Cred 7¼ 91	100	†93⅜	93⅞	0	+0⅛	9.97
Sweden 7 91	250	93½	94	0	-0⅛	9.88
Sweden 8⅛ 96	200	94½	95	0	+0⅛	9.81
Sweden 8½ 92	200	†95¼	95⅜	0	-0⅛	10.07
Toyota 9½ 91	200	99⅛	99½	0	-0⅛	9.79
Victorian Rep 11⅛ 92	150	103¾	104¼	0	0	10.05
World Bank 7 92	300	†93⅛	93⅝	+0⅛	+0⅛	9.72
World Bank 9 97	300	95	95½	-0⅛	+0⅛	9.84
World Bank 9¼ 98	300	96⅛	96½	-0⅛	-0⅛	9.83
World Bank 9⅝ 99	500	98⅞	99⅜	0	+0⅛	9.76
Yasuda Trust Fin 8½ 93	100	†93⅞	94⅛	-0⅛	-0¼	10.27

Average price change... On day +0 on week +0⅛

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Asian Dev. Bk. 6 94	200	98⅛	98⅝	0	+0⅜	6.31
Avis Fin. SVS 5⅞ 92	100	97⅞	98¼	-0½	+0⅞	6.63
Bank of Tokyo 5⅛ 93	100	100⅜	101⅛	0	+2⅛	5.46
Central Bk. Turkey 7 92	200	100⅛	100⅝	0	+0⅛	6.86
Commerzbank o/s. 5⅜ 93	300	96½	97	-0⅛	-0⅛	6.35
Degussa Intl. 6⅛ 97	200	98¼	98⅞	+1¼	+2¼	6.35
E.I.B. 5½ 98	150	92	92⅝	-0⅛	+0⅛	6.66
E.I.B. 6¼ 99	600	96¼	96⅝	-0⅜	-0⅛	6.76
E.I.B. 6⅛ 96	300	96⅝	97⅜	-0¼	+0⅜	6.65
E.I.B. 6¼ 97	400	95⅞	96½	-0¼	+0⅛	6.74
E.I.B. 6⅞ 95	300	100⅞	101½	0	+0⅛	6.63
Euro.Coal & Steel 5⅞ 97	175	94⅞	95¼	0	+0⅛	6.75

* No information available-previous day's price

† Only one market maker supplied a price

Straight Bonds: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week=Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte=Date next coupon becomes effective. Spread=Margin above six-month offered rate (‡three-month; §above mean rate) for US dollars. C.cpn=The current coupon.

Convertible Bonds: Denominated in dollars unless otherwise indicated. Chg. day=Change on day. Cnv date=First date of conversion into shares. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

Citicorp postpones $500m offer

CITICORP, the US bank, has postponed a novel $500m offering of credit-card securities because of changing conditions in the options market and a shift in the Treasury yield curve, AP-DJ reports from New York.

Citicorp had planned to sell the deal, with a new feature allowing it to reset the rate in two years, through an underwriting group led by Salomon Brothers.

However, according to Mr Jerry Wigdortz, managing director and head of the structured finance group at Salomon, in the few weeks since the deal was conceived the options market and yield curve turned unfavorable.

"We would have had a transaction if the shape of the curve hadn't changed," Mr Wigdortz said. "It didn't seem right to proceed with the deal. We wouldn't want to force it on the market."

Mr Wigdortz would not be specific about actual developments in the bond and options markets, but said the deal worked better when the two-year note was at a higher yield two weeks ago and when it was trading at a wider spread above other intermediate Treasury debt.

Bankers Trust buys seat on NZ exchange

BANKERS TRUST, the US banking group, has bought a seat on the New Zealand Futures Exchange, AP-DJ reports from Wellington.

The price was not disclosed, but the exchange said it reflected sums paid previously for seats, which have ranged between NZ$200,000 and NZ$300,000 (US$185,180).

Bankers Trust is already an affiliate member of the exchange. Trading members hold shares in the exchange and have direct access to its automated trading system, while affiliated members are not shareholders and carry out transactions through trading members.

Bankers Trust's membership is subject to approval from the exchange's directors and trading members.

COMPANY NOTICES

NOTICE TO HOLDERS OF WARRANTS

DAIICHI SEIYAKU CO., LTD.

U.S.$150,000,000
4¾ per cent. Bonds due 1993 with Warrants

Pursuant to Clauses 3 and 4 of the Instrument, dated 2nd March, 1988, the following notice shall be given:

At the meeting of the Board of Directors of Daiichi Seiyaku Co., Ltd. (the "Company") held on 28th February, 1989, a resolution was adopted for the issue of new shares by way of free distribution, the particulars of which are given below. Consequently, the Subscription Price of the captioned Warrants (the "Warrants") shall be adjusted, as specifically provided in paragraph 3 below.

1. The free distribution of new shares will be made to shareholders of record as of 31st March, 1989, Tokyo time, at a ratio of 0.10 shares for each one share held.
2. The free distribution shall be made on 15th May, 1989, but the dividends for these new shares will accrue as from 1st April, 1989, Tokyo time.
3. Pursuant to Clause 3 (i) of the Instrument, the Subscription Price will be adjusted from Yen 3,192.40 to Yen 2,902.20 per share of the Common Stock of the Company effective as from 1st April, 1989, inclusive.

9th March, 1989

The Mitsubishi Bank, Limited
As Principal Paying Agent on Behalf of:
DAIICHI SEIYAKU CO., LTD.

KAWASAKI STEEL CORP.
Japanese Yen 10,000,000,000
Reverse Floating Rate/Fixed Rate Notes Due 1996

In accordance with the terms and conditions of the Notes, we hereby give notice that the Yen Libor for the period from 9th March 1989 to 11th September 1989 was fixed at 4.89063% giving the Interest Rate Factor of 8.6088584/360. On 11th September 1989 interest of Yen 23,913 will be due per Yen 1,000,000.

The Taiyo Kobe Bank Limited
London Branch
Agent Bank
Dated: 9th March 1989

BANQUE NATIONALE DE PARIS
Floating rate note issue of USD 400 million September 1983/91

The rate of interest applicable for the period beginning 6th March 1989 and set by the reference agent is 10$\frac{11}{16}$% annually.

LEGAL NOTICES

EXCEL BUSINESS SYSTEMS LIMITED

Registered number: 1690518
Nature of business: Developing and Marketing Computer Software Systems
Trade classification: 38
Date of appointment of joint administrative receivers: 27 February 1989
Name of person appointing the joint administrative receivers: National Westminster Bank Plc.
CHRISTOPHER JOHN HUGHES and JOHN MICHAEL THOMPSON
Joint Administrative Receivers
(Office holder nos 141 and 311) of Cork Gully, Shelley House, 3 Noble Street, London EC2V 7DQ

PUBLIC NOTICES

LONDON BOROUGH OF BARNET
EDUCATION COMMITTEE
APPOINTMENT OF CO-OPTED MEMBERS

The Education Committee of the Council of the London Borough of Barnet in the municipal year 1989/90 will consist of 25 members of the Council together with 10 co-opted members.

The Council, at their Annual Meeting on 9th May, 1989, will be considering the appointment of 10 persons to serve as co-opted members for the ensuing municipal year on the following basis:-

(a) 4 representatives of religious denominations (1 Church of England, 1 Roman Catholic, 1 Free Church and 1 Jewish);

(b) 3 teachers (1 representing primary schools, 1 representing secondary schools and 1 representing further education); and

(c) 3 persons of experience in education who are acquainted with the educational conditions prevailing in the area.

Any person or organisation interested in education is invited to submit nominations for the appointment of co-opted members on the basis outlined above.

YOUTH AND COMMUNITY SERVICES SUB-COMMITTEE

The Council, at the Annual Meeting, will also be considering the appointment of persons to serve as co-opted members of this Sub-Committee for the ensuing municipal year.

Nominations in respect of both the Education Committee and the Youth and Community Services Sub-Committee should be sent to reach me at the Town Hall, Hendon, NW4 4BG as soon as possible and in any event not later than MONDAY, 10TH APRIL, 1989.

E. M. BENNETT,
Chief Executive and Town Clerk.

Town Hall,
Hendon, NW4 4BG
28th February, 1989

CLUBS

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CONTRACTS & TENDERS

REPUBLIC OF THE IVORY COAST

Tender No. 2935/DMP

1. The National Telecommunications Office of the Ivory Coast has obtained a loan from the IBRD, in various currencies, to finance the cost of the project concerning the refurbishing of the equipment and the strengthening of the maintenance of services.

It is planned that a portion of the funds granted for this loan will be used to carry out payment for a project covering the modernisation and extension of the urban telephone network of Northern ABIDJAN.

2. The National Telecommunications Office invites, with this Tender, those candidates who are allowed to take part to present their bids under sealed envelope for the modernisation and extension of the urban telephone network of Northern ABIDJAN.

3. The candidates who are allowed to bid can obtain further information and examine the Tenders files in the Office of the Chef de Services des Marchés, located on the 12th floor of POSTEL 2001, door 12-07. Phone: 34.67.61 or 34.67.63 - Telex No. 23790 or 23750, ABIDJAN.

4. Any candidate who is allowed to bid and who is interested in the present Tender can buy a complete set of Tender documents, by writing to the above-mentioned Department, or after consulting the Charge Books, for a payment of around 400,000 CFA francs, which will not be paid back (by certified cheque or postal money transfer).

5. Each bid must be accompanied by a deposit on tender of 1.5% of the total amount of the bid. This deposit must be put forward at the same time as the Bids to the Services des Marchés, Immeuble POSTEL, 2001, door 12-07, ABIDJAN-CI at the latest on the 18th of April 1989 11.00 a.m. imperatively.

6. The files will be opened in the presence of the bidding representatives who wish to be present at the opening on the 18th April 1989 at 3.00 pm at La Rotonde de la Cité Financière, in ABIDJAN-PLATEAU.

US Treasuries lethargic in absence of economic news

By Karen Zagor in New York and Katharine Campbell in London

LETHARGY continued to dominate the US debt market yesterday in the absence of significant economic news to guide investors and traders.

US Treasury bonds drifted in mixed early trading and were quoted as much as ⅛ of a point lower before rallying somewhat in the early afternoon. At midsession, the Treasury's benchmark 30-year long bond was up ⅛ point at 97$\frac{11}{32}$, yielding 9.07 per cent.

The Fed funds rate slipped during the morning to 9¼ per cent for technical reasons – the market did not believe it indicated any loosening of policy by the central bank. The Fed conducted overnight matched sales in order to firm the rate.

When the bank entered the market, funds were trading at 9¾ per cent. Economists at Griggs & Santow attributed the soft rate to the strike at Eastern Air Lines, stormy weather on the East Coast and the fact that this period tends to be relatively comfortable, with a good distribution of reserves.

In the New York foreign exchange market, the dollar started the day on a soft note in dull trading.

However, an announcement by Mr Robert Heller, a Federal Reserve Board governor, stating that global trade imbalances could not be adjusted without reducing Japanese and West German trade surpluses, caused the dollar to firm.

At mid-session, the dollar traded at Y128.70 from an overnight high in Tokyo of Y128.88 and DM1.8592 from a morning high in Europe of 1.8595.

The Fed's desire to reduce inflation received support in Congress from Mr Michael Boskin, chairman of President Bush's Council of Economic Advisers.

Mr Boskin also told Congress that he believed agreement on a credible deficit reduction package would lead to a substantial reduction in interest rates.

GOVERNMENT BONDS

SHORT covering in Tokyo was the order of the day after some 10 days of consecutive declines.

The 10-year June futures contract finished at 103.87, after 103.48 on Tuesday, but dealers did not believe this signalled a fundamental reversal of recent trends. Opinions are divided as to whether the Bank of Japan will raise the discount rate before the end of the fiscal year, but Tueday's lower repurchase rate in Germany helped dispel gloom on that front, at least for a while.

LEADING European markets, together with central monetary authorities, are playing a waiting game.

A generally unexpected hiatus in interest rate hikes, particularly by the Germans, has left investors guessing as to the timing of the next move and are consequently unprepared to commit funds in such a climate. Most markets were correspondingly dull

The UK government bond market closed almost unchanged on the day, with the long gilt future on Liffe at 98.10, just $\frac{1}{16}$ of a point stronger than the previous close.

The fall in prices on Tuesday afternoon had led to a ¼ point correction at the opening, but prices drifted back over the day. With no important domestic economic indicators due for release this week, most dealers are waiting for the US employment report on Friday.

IN GERMANY, the Bundesbank's allocation of DM15.5bn of funds under repurchase agreements caused prices to tick up briefly in the morning, but they soon drifted back down during the day.

The allocation, which represented a DM800m draining from the market, was in line with or even slightly better than traders' expectations. However, by the regular morning fixings the market lacked any support so that bonds were pegged up to 60 pfennigs lower than yesterday.

The recent 6¾ per cent 10-year bond was fixed 15 pfennigs lower, so that paper now yields 6.88 per cent. Stocks maturing in 1997 were pegged between 45 and 50 pfennigs lower, to yield 6.92 or 6.93 per cent.

On Liffe, the June future ended at 93.37, compared with 93.42 the previous day.

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
UK GILTS		13.500	9/92	108-18	-7/32	10.54	10.81	10.30
		9.750	1/98	98-30	-6/32	9.93	10.14	9.72
		9.000	10/08	99-19	-7/32	9.05	9.12	8.95
US TREASURY *		8.875	11/98	97-10	-1/32	9.30	9.34	9.02
		9.000	11/18	98-29	-5/32	9.10	9.13	8.85
JAPAN	No 111	4.600	6/96	96.6356	+0.243	5.14	5.07	4.93
	No 2	5.700	3/07	106.6395	-0.102	5.00	4.96	4.80
GERMANY		6.375	11/98	98.2000	-0.100	6.94	6.99	6.82
FRANCE	BTAN	8.000	1/94	95.1475	+0.020	9.27	9.42	9.00
	OAT	8.125	5/99	93.8300	-0.010	9.06	9.27	8.80
CANADA *		10.250	12/98	98.7500	-	10.45	10.49	10.08
NETHERLANDS		6.7500	10/98	98.1750	-	7.09	7.25	6.95
AUSTRALIA		12.000	7/99	90.8876	+0.001	13.65	13.53	13.70

London closing. *denotes New York morning session
Yields: Local market standard   Prices: US, UK in 32nds., others in decimal

Technical Data/ATLAS Price Sources

Japan sees early launch of repo market

JAPAN WILL launch a bond borrowing/repurchase market as early as April to allow more foreigners access to the yen bond market, Reuter reports from Tokyo.

The Finance Ministry promised last September it would create the market and allow short-selling on a settlement date basis as well as introduce, from April, an auction system to the primary government bond market.

Mr Tatsuo Tajima, president of Japan Securities Finance (JSF), said: "We would like to design the market to make it convenient for both foreign and domestic participants."

The market would allow both direct dealing and matching of orders by JSF, the ministry said.

JSF is expected to offer its screen display, facsimile machines and telephones to provide borrowing rate quotations to which participants dealing directly would be able to refer.

All financial institutions, including banks, brokerages and insurers, are expected to be participants. Securities houses will be able to act as lenders, allowing them matched books – trading accounts that borrow securities at one rate and lend them at another, earning the difference between the rates.

Borrowing/lending periods, lending fees and accounting standards have yet to be set. The ministry expects transactions to be permitted without collateral if the creditworthiness of both sides is high.

JSF is considering asking for collateral worth 105 per cent of the face value of borrowed bonds. Lenders who receive such collateral in cash will have to pay interest on the money.

Banks are opposed to allowing securities houses to be bond lenders as any receipt of cash as collateral on which interest is paid would infringe on the banks' business of deposit-taking.

However, the ministry said paying interest on collateral was reasonable.

"In future, we'd like to see the market covering all straight bonds traded by dealers, but it will start with government bonds," it said.

JP Morgan to sell Chile units

By Stephen Fidler

J.P. MORGAN, the New York bank holding company, said yesterday it had agreed to sell its Chilean subsidiaries to Nederlansche Middenstandsbank, the Dutch bank.

The sale, terms of which were not disclosed, includes Morgan's commercial bank operations, its Santiago-based securities dealer and its financial services company. It is to concentrate resources in leading financial centres.

Insider scandal triggers reform

Paul Betts on the French stock market watchdog's sharper teeth

The Pechiney insider trading scandal, more than any other factor, has been responsible for the toughness of the reforms of the Commission des Operations de Bourse (COB), the French stock market watchdog, which were adopted by the Socialist Government yesterday.

The scandal erupted in November after the acquisition by the French nationalised aluminium group of American National Can. Investigations by the US Securities and Exchange Commission (SEC) unearthed evidence of insider trading by French investors, among others.

Following subsequent judicial inquiries, five of these French investors were charged with insider trading offences, including Mr Roger-Patrice Pelat, a close and long-standing friend of President François Mitterrand. Mr Pelat, who was 70, died of a heart attack in the American Hospital of Paris on Tuesday night.

This is not the first French stock market reform triggered by a Pechiney scandal. Twenty years ago, the aluminium group was caught up in the middle of another insider trading affair during its merger with the Ugine Kuhlmann chemical and steel group. This led directly to the creation of the COB.

One leading French banker with experience of that period now draws comfort from this pattern of events.

"It's through such affairs that a market like ours grows up," he said.

The bill approved by the French cabinet yesterday has considerably strengthened the disciplinary powers of the COB by enabling it to conduct searches, enforce financial sanctions, block bank accounts and confiscate company assets.

Jacques Chirac: introduced privatisation programme

Pierre Bérégovoy: committed to financial liberalisation

Some French financial market commentators suggested yesterday that the COB would ultimately have even greater powers than the American SEC after the new bill passes through the National Assembly in the spring session of parliament.

The Government also approved yesterday a series of related measures to bring French takeover regulations more in line with UK and US practices, making it much more difficult to launch partial takeover bids in France. Investors or groups of investors will now have to launch a full bid once they have accumulated more than one third of the voting rights in a company.

The combination of a municipal election campaign, a series of business scandals implicating the political establishment, and a wave of controversial takeover battles all contributed to the latest reform of the COB and the country's takeover regulations.

But the toughness of the new measures has surprised even some of the most ardent campaigners for stricter French stock market rules.

Mr Louis le Pensec, the official government spokesman, said yesterday the principal aim of the new bill "was to make sure that the bourse did not become a jungle where the small investor is at the mercy of the big operators." He was echoing Mr Mitterrand's recent tirade on French television against stock market speculators.

Mr Le Pensec added that the latest measures were completely in line with the general reform of the French financial markets launched by Mr Pierre Bérégovoy, the Socialist Finance Minister, back in 1983.

Indeed, it was Mr Bérégovoy who started the process of financial deregulation to modernise the French markets and turn Paris into a more competitive international financial centre.

The process was accelerated between 1986 and 1988 by a sweeping privatisation programme under the right-wing Government of Mr Jacques Chirac.

But although the Socialists froze the privatisation programme when they returned to power last summer, Mr Bérégovoy has remained committed to an ongoing process of financial liberalisation in France.

However, the liberalisation of the bourse exposed in broad daylight the weakness of the supervisory controls of the French market.

Even before the insider trading scandals erupted last autumn, the deficiencies of the market's regulatory system had become increasingly obvious and it was clear regulations had not kept pace with the rapid evolution of the financial markets.

A big jolt came after the stock market crash of October 1987. The weaknesses and growth pains of the system were eloquently exposed when it was revealed that the French stock exchange was hit with FFr1.3bn ($206m) in losses on the new French futures market.

But the financial scandals of the last few months, and their growing political impact on French public opinion, made reform all the more pressing.

In large measure this explains why the hawks in the Finance Ministry finally prevailed in pushing through a much tougher reform than expected.

Elders wins New Zealand bank licence

By Gordon Cramb

ELDERS IXL, the Australian brewing and investment group, has gained a banking licence in New Zealand, achieving an ambition there which it has been denied in its home market.

The New Zealand Reserve Bank said yesterday that Elders Merchant Finance, a wholly owned subsidiary of Elders Finance Group, had been made a registered bank. This brings to 17 the number of players in New Zealand's recently deregulated banking sector.

Elders Finance, itself a fully owned Elders unit, is Australia's largest non-bank financial institution, and has strong links to the rural sector.

However, because of regulatory complications, the Australian Reserve Bank opposes the extension of banking licences to offshoots of industrial groups.

In New Zealand, Elders has a foreign exchange and fund management operation and last year moved to expand its client base through the acquisition of Francis Allison Symes, a stockbroking house.

Elders Merchant Finance contributed A$10.7m (US$8.7m) to group net profits in the year to last June.

It is to change its name to Elderbank – a name the group had planned to use for Elders Finance worldwide if it was granted bank status.

Mr Peter Camm, managing director of the Wellington unit, suggested yesterday, however, that the approval of a New Zealand banking licence provided largely local opportunities.

He said the unit would "build its future base by marketing its existing core activities of foreign exchange, domestic Treasury, capital markets, corporate finance and stockbroking to a wider cross-section of clients in New Zealand."

LONDON MARKET STATISTICS

FT-ACTUARIES SHARE INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

[illegible]

FIXED INTEREST

[illegible]

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	30	50	29
Corporations, Dominion and Foreign Bonds	1	11	32
Industrials	469	337	773
Financial and Properties	174	121	372
Oils	23	29	46
Plantations	1	2	9
Mines	53	30	101
Others	53	79	110
Totals	804	659	1,472

LONDON RECENT ISSUES

EQUITIES

[illegible]

FIXED INTEREST STOCKS

[illegible]

RIGHTS OFFERS

[illegible]

TRADITIONAL OPTIONS

- First Dealings Mar 6
- Last Dealings Mar 31
- Last Declarations Jun 15
- For settlement Jun 26

For rate indications see end of London Share Service
Calls in Chrysalis, Norfolk Cap, [illegible]

LONDON TRADED OPTIONS

BRITISH PETROLEUM led the field by many a length in the traded options market yesterday, against the background of recently firm oil prics, and in spite of yesterday's crude oil price fall.

Total dealings in the stock came to 5,917 contracts, with linked deals colouring the trading. There was much more opening of interest on the call side than on the put.

In the calls interest rose by 1,329 contracts to 23,148. In the puts it gained 315 contracts to 27,065. The day's dealings were shared between 3,460 calls and 2,457 puts. The underlying share price showed a background fall of 1p to 275p.

The FT-SE Index options trading again showed little to be counted, possibly because of the approach of the UK Budget next Tuesday, and the general stabilisation of exchange rates and interest rates that has come with the Chancellor of the Exchequer's measures to achieve this effect.

These include a leaning towards no rise in bank base rates. The Bundesbank move to control a worldwide upward swing in interest rates – with its fixed rate securities purchase agreement of Tuesday, at a level below the Lombard rate (the rate at which it makes loans against collateral) has also contributed.

Overall options dealings yesterday were of small size by any recent standards – coming to 28,024 contracts, made up of 19,438 calls and 8,586 puts.

Index trading was a shadow of its recent self – total trading in it coming to 3,362 contracts, consisting of 1,614 calls and 1,748 puts, with the index itself gaining 0.2 point on the day to 2,093.3.

Lonrho attracted attention, against the background of the news that the Bond stake was up for sale. Option dealings in it amounted to 2,908 contracts, comprising 2,127 calls and 781 puts. The March 330 calls, with 510 contracts, and the March 360s, with 705, found a good deal of the day's business.

Other stocks to find options interest included Trusthouse Forte and Allied Lyons – on the back of the news of the Bond offer to pull out of the Lonrho stake.

[illegible]

Finance Director Designate

Chelmsford

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Applicants must be Qualified Accountants with several years broad-based experience including budgetary control and tight cash management in a computer-based environment . Keen commercial awareness and strong managerial skills are essential. Age is not important.

An attractive remuneration package is offered. Confirmation of a Board appointment is envisaged within six months, with long-term prospects of being appointed Managing Director with equity participation.

Please send your C.V, including current salary and daytime telephone number, quoting reference B2046, to W.S. Gilliland, Grant Thornton Management Consultants Limited, Grant Thornton House, Melton Street, Euston Square, London NW1 2EP.

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A qualified Accountant, with a mature profile and experience of large company disciplines and procedures, you are currently looking for the opportunity to apply your skills to a smaller but rapidly expanding Group, where your achievements will have a significant impact.

For further information please write to Edward Speed – in confidence – with career details, current salary and day time telephone number quoting ref: FT.54021.

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It will appeal to a qualified accountant, ideally aged 30–40, whose relevant background in a manufacturing/engineering environ ment includes good IT experience. A strong business awareness and personality, and well-developed communication skills are prerequisites.

Please send full cv which will be forwarded to our client unopened. Address to our Security Manager if listing companies to which it should not be sent. Ref: R2325/FT, PA Consulting Group, Advertising and Communications, Hyde Park House, 60a Knightsbridge, London SW1X 7LE.

PA Consulting Group
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To sustain and support the growth of the practice we have been retained to recruit a Head of Finance and Administration who will be responsible for the finance function, reporting to the Managing Partner. The appointee will play an important role in the implementation of the strategic plan and be expected to make a major contribution to profitability and efficiency.

The successful candidate, aged 35-45, will be professionally qualified and have gained relevant experience within an industrial or commercial environment. However, of greater importance will be a confident, outgoing personality, strong interpersonal skills and commercial flair. The attractive salary package reflects the importance placed on the position.

The Isle of Man economy is booming, with well founded growth in all sectors, particularly financial services. It offers a very pleasant living and working environment, low direct taxes, good communications, high quality public services and an attractive range of housing.

Please write enclosing a c.v. to **Brian Marren, Douglas Llambias Associates, Brook House, 77 Fountain Street, Manchester M2 2EE** or telephone him on 061-236 1553.

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FINANCE DIRECTOR
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* Based in Marble Arch
* A small but highly motivated team

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* Chief Financial Officer, reporting to Chairman and Managing Director
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* Responsible for the financial management of the business

Qualifications
* Recent involvement in banking or property financing and at decision-making levels
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Ms P Coker
Company Secretary
130 George Street
London W.1.

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A vacancy has arisen for a (newly) qualified Chartered Accountant to work in a private hospital (69 beds). The hospital is American-owned and there is frequent contact with, and some travel to Head Office.

This is a key position in the hospital. The jobholder will report to both the Group Controller and the Administrator. Duties consist of:

* weekly and monthly compilation of financial data
* management of a team of six staff including Payroll
* careful monitoring of expenditure and revenue.
* assisting and advising the Administrator in financial matters

We are looking for an effective communicator with a hands-on approach who is able to work to tight deadlines. Experience in health care would be advantageous. Applications from part-qualified accountants with relevant experience will be considered.

Please apply in writing to: -

The Personnel Manager
Charter Nightingale Hospital
11-19 Lisson Grove
London NW1 6SH

Financial Accountant

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Ultramar ahead 17% to £46.4m

By Max Wilkinson, Resources Editor

ULTRAMAR, the independent oil company, yesterday reported after-tax profits for 1988, on an historic cost basis, of £46.4m, up 17 per cent on the £39.5m of 1987. It increased its dividend for 1988 to 7.5p (6.5p) with a proposed final of 5p.

On a replacement cost basis, after-tax profits rose more sharply, from £29.5m to £50.5m. Earnings per share were up at 19.1p (15.4p) and cash flow from operations rose 32 per cent from £109.7m to £145.3m.

Mr John Darby, the chairman, yesterday said that the results were very good and reflected the success achieved in its restructuring of the company into four complementary business areas. These are: the Indonesian gas production and exploration business; the North Sea oil and gas business, extended last year by the purchase of Blackfriars Oil and Gas from Associated Newspapers; and the refining and marketing operations in eastern Canada and the west coast of the US.

The company has decided that its oil business in western Canada no longer fits into its strategic objectives and is currently looking for a purchaser for this producer of 21m barrels of oil equivalent per day.

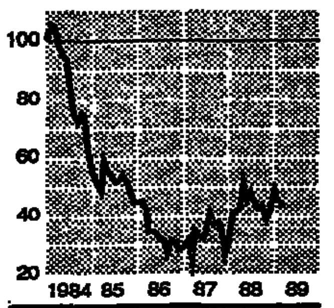
The refining and marketing operations in eastern Canada made the largest contribution to the group's profits at £58.6m (£60.1m), followed by the Indonesian operations with £19.8m (£22.6m). In the final quarter of 1988, the Wilmington refinery in California, acquired in December for £259m, and Blackfriars Oil and Gas made a combined contribution of £1.6m.

Group production averaged 27,400 barrels of oil per day and 432,800m cu ft of gas, giving a total of close to 100,000 barrels per day on a oil equivalent basis.

In eastern Canada, the refining and marketing operations benefited from increased demand for products and good refining margins in North America. Last year, the eastern Canadian operations sold an average of 115,200 b/d of refined products. The completion of its programme of upgrading service stations had contributed to an increase in sales.

Ultramar

Share price relative to the FT-A All-Share Index



Mr Darby said that in 1989, the group would concentrate on strengthening its existing businesses. The three most important capital projects would be the development of the Ravenspurn North gas field in the North Sea, in which Ultramar has an 11.5 per cent share; expansion and upgrading of its refinery in Quebec; and the development of gas reserves in Indonesia to support the group's share of the contract for supplying liquefied natural gas to Taiwan.

Robert Gibbens adds from Montreal: Ultramar has hired Wasserstein Perella of New York to find a buyer for Calgary-based Ultramar Oil and Gas Canada, with 2,700 barrels daily of oil production and 6.9m cu ft of natural gas. Last year, it drilled 73 wells, and it has about 100 employees.

Ultramar Canada said the position of its core refining and marketing business was unchanged. This has a share of nearly 20 per cent of the petroleum products market in eastern Canada. It wants to pick up Texaco outlets that may be divested, following Imperial Oil's takeover of Texaco Canada.

Late last year, the Quebec Group bought a 4.3 per cent interest in Ultramar, after trying in vain to buy Ultramar Canada. This interest was sold during the first two months of this year.

See Lex

Acquisition gives boost to Life Sciences

By John Thornhill

LIFE SCIENCES International, the manufacturer of medical diagnostics equipment, more than trebled pre-tax profits from £1.8m to £6.1m in 1988, helped for the first time by a full year's contribution from Forma Scientific, the US micro-biological equipment manufacturer, acquired in November 1987.

Formerly known as Phicom, Life Sciences increased turnover from £18.9m to £43.5m. Earnings per share doubled to 4.4p (2.1p). The proposed final dividend is 1.1p, which makes 1.6p (0.8p) for the year.

Mr Christopher Bland, chairman, said that 1988 had been an excellent year for the company. Forma Scientific was now the group's largest and most successful subsidiary, contributing 70 per cent of trading profit.

Two other US businesses bought during the year, Whale Scientific, based in Colorado, and E-C Apparatus, of Florida, had made a useful contribution to group profits, he said.

In November, Life Sciences acquired Savant, a US vacuum centrifuge manufacturer, for £13.6m. Although the full cost of the purchase was included in the balance sheet, Savant made no trading contribution to the group, as the acquisition was only completed on December 30.

Mr Bland yesterday outlined an ambitious programme of financial goals and geographic expansion for Life Sciences. He said that the company aimed to achieve a 15 per cent return on sales and a 25 per cent return on capital employed in each of its operating divisions.

Although 56 per cent of group sales were in North America, Life Sciences exported to 100 companies and planned further expansion, especially in the Pacific basin, he said. The company also saw great potential in the Soviet Union and China and Mr Bland said he hoped opportunities would develop in these regions within the next five years.

Gold Fields may omit full asset valuation

By Clay Harris and John Mason

CONSOLIDATED GOLD Fields, the diversified mining group fighting a £3.2bn takeover bid from South African-controlled Minorco, is unlikely to include a full asset valuation in its defence document. The document is expected to be published today.

Gold Fields is expected to argue that conventional valuation techniques are inappropriate in its case because of the long-term nature of its businesses, involving reserves of precious metals and construction aggregates.

Instead, Gold Fields is likely to outline its view of the prospects for each division, and allow shareholders and analysts to tot up the sums and draw their own conclusions.

In the market, a 5p rise in Minorco's share price to 813p pulled the value of its cash-and-shares offer above £14.31 – higher for the first time than Gold Fields, which shed another 7p to £14.28.

Meanwhile, Lord Young, the trade and industry secretary, said yesterday that the 1986 DTI report into shareholdings in Gold Fields made no criticism of Minorco "in any way". Answering a question in the House of Lords, he said both it and an interim report had been sent to the Monopolies and Mergers Commission when it was considering the merger.

It was seen by officials who judged it to have no relevance to their inquiries. They then reported this conclusion orally to members of the commission.

Lord Young restated that the 1986 report would be published, but only when it had been fully considered.

Acquisitions help Mount Charlotte improve to £41.4m

By David Churchill, Leisure Industries Correspondent

MOUNT CHARLOTTE Investments, the UK hotels group, yesterday announced record pre-tax profits of £41.4m for the 53 weeks ended January 1 1989, a rise of 42.6 per cent over the previous year.

This was on turnover up 32.5 per cent from £93.4m to £123.7m, while earnings per share rose to 9.9p (8.3p) after tax of £9.44m (£6.94m).

The results include the first full year of contributions from the acquisitions in 1987 of the London Park Hotels and three hotels from the International Leisure Group.

Last year was mainly spent in absorbing these hotels into the group, although four hotels were acquired in 1988 in Carlisle, Middlesbrough, and Newcastle.

Mount Charlotte now operates 68 hotels with a total of 9,150 bedrooms. Some 16 hotels are in the London area.

A revaluation of the group's total properties last year valued them at £988m, on an existing use basis, compared to a book value of £567m. This puts net asset value per share as at January 1 1989 at 270p.

Mr Robert Peel, managing director, said yesterday that in the first nine weeks of the current year demand had been buoyant.

"There is still a significant organic growth potential within the existing portfolio of properties to expand room stock and services in order to improve earnings," he said.

Developments under way include planning permission for a 288 bedroom hotel, two convention rooms each holding 1,000 people, and 250,000 sq ft of office accommodation on the Greenside site in Edinburgh. This will be Scotland's largest convention facility.

In addition, reconstruction work on the Kensington Park Hotel in De Vere Gardens, London, is almost complete and is expected to open by the end of May this year.

The company proposes to pay a final dividend of 1.41p making a total for the year of 2.21p, this represents an increase of 16.3 per cent on the 1.9p paid last year.

● COMMENT

Yesterday's figures from the Department of Employment showing a 3 per cent shortfall in the number of North American visitors to the UK last year appeared to do little harm to Mount Charlotte's financial performance. This was probably due to most of the downturn in American tourists being at the top-end of the market, with those tourists crossing the Atlantic deciding to trade down to the sort of mid-price properties Mount Charlotte has in its portfolio. This year's forecast from the British Tourist Authority of a 4 per cent increase in the numbers of Americans in Britain – and a 5 per cent overall rise in tourist numbers – will clearly help Mount Charlotte keep on track with its strategy of seeking high occupancy rates in its hotels rather than pushing up room rates. The key question now is whether the internal re-organisation forced on the company by the 1987 acquisitions, which added 50 per cent to room capacity, has been completed sufficiently to allow a more aggressive acquisition stance this year. High interest rates, however, may deter the company's energetic managing director, Mr Robert Peel, from moving too quickly. Analysts are still a little wary of the sector outlook and current year forecasts are around £50m pre-tax. On yesterday's closing price of 181.5p, this gives a prospective p/e of just over 15.

Splash forecasts £2.35m profit

By Nikki Tait

SPLASH, the T-shirt designer and character merchandiser, which is fighting an unwanted £14m bid from Astra Trust, yesterday forecast profits before tax of not less than £2.35m in the year to October 31 1989.

This, it says, is an increase of £1.4m - 151 per cent - over the previous year. Splash, which is quoted on the USM, says the profits increase will translate into a 37 per cent increase in earnings per share.

In a fairly hard-hitting document, Splash says that the board has "received indications that our most valuable character licences will be terminated, or not renewed, should the Astra offer succeed."

"In particular, the Garfield licence, once withdrawn would result in a loss of turnover in excess of £2m. Without these licences, it will be impossible for your company to achieve the profit forecast."

The document goes on to claim that Astra has failed to demonstrate any commercial or industrial logic for the bid.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
BM Group ....int	1.6	May 12	1.2	-	3
Cont Microwave § ....int	1.1	-	1.1	-	3.15
CRH ....fin	3♣	Apr 1	2.64	4.5	4
Galliford ....int	0.85†	Apr 4	0.7	-	3.2
GKN ....fin	10.75	-	9	17	14.5
Herring Son Daw ....fin	2.5	-	-	4	-
Heywood Williams ....fin	7.5†	-	6	11.5	9.5
Instem § ....fin	1.5	July 6	1.5	2.5	2.5
Jiira Rubber ....fin	0.9	-	0.8	0.9	0.8
Lawtex ....int	0.05	-	1	-	1
Life Sciences ....fin	1.1	-	0.5	1.6	0.8
Microvitec § ....fin	1	-	0.5	1.75	1.5
Mount Charlotte ....fin	1.41	July 3	1.2	2.21	1.9
Nestor-BNA ....fin	1.7	May 31	-	2.5†	-
Randsworth Tst §....int	1.5	May 12	1	-	2.5
Sinclair (Wm) ....int	1.25	Apr 4	1*	-	4.25*
Singapore Para ......fin	1.55	-	1.1	1.55	1.1
Ultramar ....fin	5†☆	June 5	4.2	7.5	6.5
Victaulic ....fin	5.5	May 9	-	8.5	-
Watmoughs ....fin	6.5	Apr 27	5.208*	8.5	6.875*
WCRS Group ....int	1.65†	Apr 28	1.35	-	3.95
Wickes ....fin	2.81†	Jul 6	0.67	3.5	1

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock. §§Unquoted stock. ¢Third market. ♣Irish pence throughout. ☆Carries scrip option.

BOARD MEETINGS

TODAY

Interims- Brierley Invs, Kleinwort Development, Lincat, Micklow (AJ), Pict Petroleum, Pilco, Tottenham Hotspur.

Finals- Admiral Computing, Antofagasta, Arlington Securities, Betacom, City & Commercial, Ladbroke, Libra Bank, MTL Instrument, Quotient, Sandvik Aktiebolag, TI, Tyne Tees Television.

FUTURE DATES

Interims-	
Bellwinch	Mar. 17
Colroy Homes	Mar. 28
LTW	Mar. 17
Walker (Thomas)	Mar. 17
Finals-	
Bedford (William)	Mar. 10
Candover Investments	Mar. 13
Clarke (T)	Mar. 16
Clayform Properties	Mar. 20
Delaney	Mar. 13
EW Fact	Mar. 15
Estates & General	Mar. 17
Halls Homes & Gardens	Mar. 21
Hambro Countrywide	Mar. 20
Ingham (George)	Mar. 17
Kalon	Mar. 21
Lilleshall	Mar. 20
MY Holdings	Mar. 13
Norfolk Capital	Mar. 22
Parsons Penney	Mar. 21
Perkins Food	Mar. 13
World of Leather	Mar. 21
Wyevale Garden Centres	Mar. 13

Abbey National document on its way

By David Barchard

DURING THE next week, an envelope containing an 88-page document from Abbey National Building Society will be landing of the doormats of its 5.6m members.

The document is Abbey's "transfer document," the full statement that a society has to issue to its members when it seeks their authority to shed mutual status and become a public limited company.

Along with the transfer document, Abbey members will find voting forms for the special general meeting on April 11 which will decide whether the stockmarket flotation is to go ahead.

The document outlines procedures and consequences for members and the society, analyses the reasons for conversion and gives general background information on the business and activities of the society, including an accountants' report.

Why should a large and successful building society wish to convert itself into a company? Abbey says building societies are subject to a number of restrictions which do not apply to companies which carry on similar businesses. They lack operational flexibility and their place in the mortgage markets is declining because of increased competition.

It forecasts that building societies will come under increasing pressure as the mortgage market slows down as it approaches saturation.

Conversion, the transfer document says, will bring more capital to counter this challenge. Customers stand to gain more branches and improved branch facilities.

Other benefits to the society include the chance to manage its treasury operations more efficiently.

As for disadvantages, the chief of these in the society's view is that it will be exposed to possible takeover after five years. Before that time, no shareholder can build up a stake of more than 15 per cent.

Members will lose the ownership rights which at present attach to their savings and mortgages, but this should be offset by the issue to them of free shares under the conversion scheme.

Once conversion is over, the society says somewhat vaguely that it intends to "pursue a central strategy of strengthening Abbey National's position in the UK savings and mortgage markets and expand the range of personal financial services offered by the group."

It says it is investing heavily to develop a larger and more closely integrated distribution system. It also plans limited expansion overseas. The society already has operations in Jersey, Gibraltar and Spain, and is in the process of setting up operations in other EC countries.

Profit forecasts are distinctly cautious. Abbey says 1989 is expected to be a difficult year for the mortgage market. There is already a downturn in the demand for new mortgages. In the six months to June 1989, it expects pre-tax profits of between £185m and £210m, against £203m in the same period last year.

"We are looking at two very different half years, one a boom year and the other a dead market," says Mr John Fry, Abbey National's general manager for group services.

How will the £1bn of new capital which Abbey National hopes to raise through the flotation affect its operations? The transfer document contains a model balance sheet, showing how the payment of dividends will affect the profits transferred to reserves. It assumes that dividends will be covered at least three times.

The model accounts suggest that with conversion of the society, shareholders' funds will rise from £1.42bn to £2.34bn. The ratio of capital resources to total assets will rise from 4.9 per cent before flotation to 7.5 per cent.

New shareholders will have to wait until April 1990 for their first dividend. Former savers will have their rights protected too. For the first few years the society will be obliged to maintain funds to be repaid to its pre-conversion owners as a priority liquidation distribution, against possible insolvency and winding up operation.

The complex provisions against this largely theoretical possibility mean that the Abbey will have to maintain much higher risk/asset ratio for the first few years than its banking competitors.

UK COMPANY NEWS

March sells Grand Prix activities

By John Griffiths

MARCH, the loss-making racing cars concern, plans to sell its Formula One Grand Prix operations to Japanese entrepreneur Mr Akira Akagi, as part of efforts to restructure the group financially and retain its quotation on the Unlisted Securities Market.

The move comes less than three weeks after Mr Akagi and his Leyton House industrial property group, March's principal grand prix sponsor, withdrew abruptly from an agreement in principle to rescue March by taking a controlling interest and pumping in fresh capital.

Mr Akagi said he pulled out of the takeover after learning at the last minute of "new information" about March's affairs – understood to have been connected with March's intended supply of its current grand prix engine technology to another team.

His interest in March is focused mainly on its grand prix activities, although Formula 3000 racing car operations and March's wind tunnel will also form part of the planned sale. No details of likely price are emerging, although the three activities between them represent a substantial asset.

March, having been a relative also-ran in grand prix fields until now, stands to gain substantially from a ban on turbocharged grand prix cars imposed from this year. March would then be left mainly with its contract engineering activities, its troubled Indycar racing car business - which, however, has recently received a boost from tie-ups with Porsche and Alfa Romeo, and a plastic composites subsidiary.

It was announced yesterday that, in order to prevent any conflict of interest, Mr Akagi has resigned the March directorship he took up in December.

March's shares will remain suspended at 50p until a deal with Mr Akagi is concluded, probably before the end of this month.

Meanwhile, Mr John Cowan, the March chairman, and his board are continuing negotiations with banks and institutions aimed at finding alternative financing for the group, while retaining its independence.

Mr Cowan, who is also chairman of United Industries group, is said to be optimistic about obtaining loans to overcome March's short-term cash flow problems and longer-term funding.

Under the offer recently withdrawn by Mr Akagi, he would have paid 50p cash per share for the 38.5 per cent of March not already held either by himself (20 per cent) or founder Mr Robin Herd and his family (41.5 per cent) – a deal which would have valued March at £7.5m.

The company is expected to report a pre-tax loss of £4.5m for its financial year ended last October.

At the time Mr Akagi first took a stake in the company, at the end of 1987, March's net assets were shown at £4m. Subsequently, Mr Akagi injected £4m into the company but last year's losses are understood to have reduced March's net asset value to between £3m and £3.5m.

Higgs & Hill sells its stake in R&T

By Nikki Tait

HIGGS & HILL, the building and property group, has sold its 14.9 per cent stake in Rush & Tompkins, the property developer and contractor, to Singapore Land. Singapore Land is one of the largest property groups in the island state, and has a market capitalisation of more than £300m.

The shares were sold at 380p apiece – a total consideration of £27.3m. H&H said yesterday that Singapore's interest "was brought to our attention" and that, in the face of an attractive offer, it had decided to accept.

The building group first revealed its stake in R&T in October. This came just days after OVS Investment, an Australian company controlled by Mr Dick Pratt, sold a 9.9 per cent interest, and H&H confirmed that part of its holding had come from this source.

The shares were originally bought at around the 300p level. Yesterday H&H suggested that its gross profit on the stake, ahead of financing costs, was around £1.4m.

R&T, meanwhile, said that it welcomed Singapore Land's interest. It said that the Singapore company had consulted the board prior to acquiring the holding, and that, far from objecting, directors had encouraged the purchase.

Mr Nigel Dunnett, managing director, added that he did not expect Singapore Land significantly to increase its interest, nor to have boardroom representation.

Instead, he stressed the possibilities for a working relationship between the two companies. He said that R&T had worked for Singapore Land in the past – citing the development of the Marina Centre as an example – and maintained that the UK group might be able to offer project management skills. Mr Dunnett said that he understood Singapore Land was seeking openings in Europe and had been looking to tie in with a UK contractor.

Takeovers boost Victaulic

By John Ridding

VICTAULIC, the plastic pipes company which was bought by its employees from British Steel in 1983 and which came to the market last May, yesterday announced pre-tax profits for 1988 of £7.56m, up 16 per cent from the 1987 figure of £6.52m.

Turnover, assisted by last year's acquisitions, rose by 21 per cent to £62.9m. Excluding the acquisitions - Insoll Holdings and Britpipe in February, and the European pipe couplings business of Dresser Industries in December - the increase was 18 per cent.

Earnings per share increased 15 per cent to 25.2p (21.9p) and a final dividend of 5.5p was proposed.

This, together with the interim dividend of 3p gives a total for the year of 8.5p and compares with a total of 7.5p for 1987.

According to Mr David Stewart, managing director, growth had been achieved throughout the company. Stewart and Lloyds, supplier of polyethylene pipes, enjoyed strong demand from the gas industry, while Viking Johnson saw strong growth in the sale of pipe couplings.

Mr Stewart said that because of the buoyant market conditions capital expenditure had been sharply increased to £3.5m from £2.2m in 1987. Much of the increase was accounted for by capacity expansion at Stewarts and Lloyds.

High priority is being given to expansion in Europe and this is reflected in the purchase of Dresser's pipe couplings business - now renamed Helden Couplings.

● COMMENT

For Victaulic, if for few others, the digging up of roads by the water authorities and British Gas is a welcome sight. In 1988, as in previous years, it benefited from the renovation of the nation's piping infrastructure and turned in results at the top end of forecasts. Its performance was well received and the share price, which was 235p on flotation, yesterday closed up 5p at 318p. Both of Victaulic's main income sources are set to continue strong this year with its medium density polyethylene piping expected to win an increased share of the market and with British Gas extending its network in in rural areas. Benefits should also accrue from the privatisation of the water authorities and there is the possibility of relatively lucrative contracts from the Channel Tunnel. The only concerns facing Victaulic are the possibility of higher raw material prices and - with 70 per cent of its turnover coming from the gas and water industries - that its business may prove too narrowly based in the longer term. However, the company seems aware of this and is seeking to develop new products (particularly in the area of technical plastics), and expand its markets. In particular, the purchase of Dresser's European pipe business provides a useful European base. Victaulic's good prospects are reflected in profit forecasts ranging from £8.6m to £9m giving a prospective multiple in the region of 10.5 to 11.

EC inquiry into GEC/Siemens bid encourages Plessey

By William Dawkins in Brussels

PLESSEY, the UK electronics group, yesterday said it was "encouraged" by the progress of the European Commission's inquiry into the hostile £1.7bn consortium bid from GEC of the UK and Siemens of West Germany.

Mr Stephen Walls, Plessey's managing director, said: "We think we have a strong case to answer here and the commission recognises this."

He was speaking after a meeting with the commission competition authorities. They are due to conclude an inquiry in the next few weeks into whether or not they should block the joint bid for Plessey on the grounds that it contravenes EC rules against anti-competitive agreements.

Mr Walls said he expected that the commission's eventual decision would be closely timed with that of the UK Monopolies and Mergers Commission, which also launched its scrutiny in mid-January.

The Brussels inquiry is focusing on whether the Anglo-German bid could be cleared under the clause that allows anti-competitive agreements which contribute to technical or economic progress.

Plessey launched a complaint against the bid in Brussels shortly before losing an unprecedented attempt to use EC competition rules obtain a UK court injunction against the takeover.

Plessey's case rests on its claim to be the only big EC electronics company with full vertical integration from chip-making through data networking to software services.

It has argued that breaking up its structure via a takeover would harm the community's strategic economic interests, implying that Brussels should bear industrial policy in mind when making competition decisions.

"We believe that these are real European interests, affecting the ability of Europe to compete against the US and Japan," said Mr Walls.

European growth lifts CRH 38% to I£63m

By Andrew Taylor, Construction Correspondent

PRE-TAX PROFITS of CRH, the international building materials group and one of Ireland's largest companies, rose 38 per cent to I£63.35m (£52.93m) in the year to December 31.

Turnover increased from £707.12m to £914.08m, while earnings per share rose from 13.74p to 17.24p. Almost 90 per cent of profits are now earned outside Ireland compared with less than 10 per cent 12 years ago.

Profits last year rose in all the company's principle markets: the US, UK, continental Europe and Ireland.

The biggest increase was in Europe where trading profits more than doubled to £17.68m helped by an exceptional performance from the acquisition last year of Verwo, the Dutch concrete products group.

Profits from Spain, however, were disappointing due to problems of supplying power station fly-ash used in CRH's cement operations in the north of the country.

In the UK, trading profits rose 35 per cent to £17.09m reflecting new acquisitions and increased demand from a buoyant UK construction market, particularly in southern England.

Mr Tony Barry, chief executive, said the US market, where profits rose by only 13 per cent to £22.08m, remained mixed.

Significant sales and profits growth in Pacific and north eastern states offset declines in energy dependent mountain and southern states, he said.

CRH's domestic business – in decline since 1980 – staged a recovery last year, increasing profits by 12 per cent to £16.18m.

Mr Barry said the recovery in the Irish construction industry should mean a further increase in profits this year. Total dividends for 1988 rose by 12.5 per cent from 4p to 4.5p, via a second interim of 3p.

● COMMENT

Ireland, so long the poor performer, looks like coming good this year for CRH. Profits will be helped by increased investment in roads and agriculture. The group can also offset any loss in market share due to increased competition in the Irish cement market by increasing exports to the UK. Further gains are likely in Britain where construction output is forecast to rise by a further 3 per cent to 4 per cent this year. Spanish profits should be much better now the fly-ash supply problem has been resolved. The profits contribution from the US, however, could dip slightly this year, particularly if exchange rates go against the group. All this means that CRH should be capable of raising profits to £72m this year which on a 21 per cent tax charge puts it on a prospective p/e of just over 10. It is difficult in the current climate to see how this rating could be improved.

UK COMPANY NEWS

Fairey more than doubles to £8.8m

By Philip Coggan

FAIREY, the diversified engineering group which joined the stock market last November, reported pre-tax profits of £8.77m in 1988, more than double 1987's total.

In the process, Fairey pipped the £9.5m operating profits forecast made at the time of flotation. Operating profits were £9.67m (£7.06m) and there was an exceptional credit of £652,000 relating to the suspension of pension contributions. Interest paid fell to £1.75m from £2.81m.

Fairey was privatised in the early years of Mrs Thatcher's Government before being sold to Pearson, the information, banking and china group which owns the Financial Times. The management then bought out the business in late-1986, backed by Candover Investments, the venture capital group.

Two of Fairey's three divisions increased profits in 1988 but aerospace and defence profits fell from £3.37m to £2.62m. Mr John Poulter, managing director, said that defence profits were *naturally lumpy* and that margins were lower because of the product mix.

The fastest growth in profits came from the electronics and electrical power division which benefited from an improvement in margins at the rationalised insulation business and from steady growth at Red Lion Controls, the US company which makes electronic measuring equipment. Divisional profits rose to £4.41m (£2.54m).

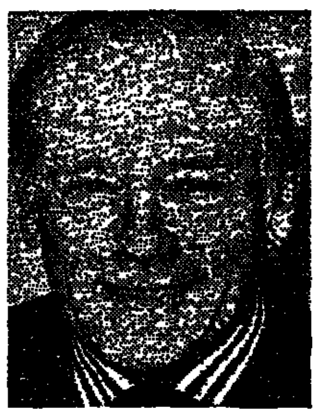
The filtration and specialised ceramics division achieved a rise in profits to £2.64m (£1.95m) despite adverse currency movements.

Group turnover was £82.1m, down from £84.64m in 1987, which had included £7m of sales from discontinued operations. *Pro forma earnings* per share, excluding the exceptional benefit, were 17.5p (12.6p). There is no dividend.

Mr Derek Kingsbury, the chairman, said that the order book was strong and was above that existing at the beginning of 1988.

● COMMENT

Having been through the excitements of management buy-out and flotation, Fairey now faces the hard slog of providing the profits growth that will make it stand out from the rest of the engineering sector. Among the existing businesses, the growth is unlikely to come from defence and aerospace; the main hopes are Red Lion Controls, the US electronics company, the newly rationalised insulator business and the filtration and ceramics division. However, a lot will depend on how Mr Kingsbury intends to exploit his new-found financial strength. Fairey *seems admirably intent* on putting only a cautious toe into the acquisitions water rather than jumping in at the deep end. That limits the potential for disaster and with pre-tax profits of £10.4m likely this year, the shares look fairly valued on a prospective p/e of just over 9.



Derek Kingsbury – the order book is up on a year ago

Associate helps WCRS profits to reach £13.6m

By Philip Coggan

WCRS, the advertising and public relations group, yesterday revealed nearly doubled interim pre-tax profits of £13.6m, although this year's results cover an eight month rather than a six month period.

The figures, which include a first time contribution from Carat Espace, the group's associated European media buying company, caused the shares to jump 21p to 269p yesterday.

The group also announced a new divisional structure with Mr Peter Scott, group chief executive, becoming chief executive of the media division, Mr Tim Breene chief executive of advertising, and Ms Adele Biss chief executive of PR, which will operate as Creamer Dickson International.

Media and sponsorship provides around 50 per cent of group revenue. The division includes Carat Espace, which the company believes is the leading media buyer in Europe, and Alan Pascoe Associates, *which has secured the rights to* the Commonwealth Games and the European Athletics Championships.

The advertising division, best known in the UK for the Carling Black Label campaign, provides around 35 per cent of revenues and has billings in excess of £1bn. The division works for 24 of the world's top 50 advertisers and recently gained the Pan Am account.

The public relations division, which operates under the Biss Lancaster name in the UK has annualised fee income in excess of £20m.

Last year's interim pre-tax profits for the six months to October 31, were £6.93m on turnover of £164.4m. This year's turnover for the eight months to December 31 was £321.5m.

There was an extraordinary loss of £1.04m relating to the disposal of Saunders Design. After tax of £5.72m (£2.56m), minority interests of £1.8m (£12,000) and preference dividends of £759,000 (£507,000), earnings per share were 11.47p (9.21p). The interim dividend is being set at 1.65p (1.35p).

● COMMENT

It may have been luck rather than judgement that made WCRS produce its results on the day of the bid approach for Boase Massimi Pollitt but it was all good PR for the group's share price which rose almost 10 per cent on the day. The company is recognised as having *strengths* in Europe, in sponsorship and in media buying; however its weakness is a £74m debt burden which was the cost of building up that strength. Should the company trip up – and the £1m write-off on the disposal of Saunders shows that it can – WCRS may pay the price for its ambition but assuming pre-tax profits of £34m for the full year, the shares are not looking too *demanding on a prospective p/e* of 9.5, below many other agencies.

Aitken Hume sells Sentinel Life for £9m

By David Lascelles, Banking Editor

AITKEN HUME International, the London-based financial services group which is undergoing rationalisation, yesterday announced the sale of Sentinel Life, its life insurance business, to Century Group.

The sale price of £9m represents a discount of £5.1m from Sentinel's embedded value. But Aitken Hume said that there were few buyers for life insurance companies with an established distribution network, and that this situation is likely to worsen as more life companies come up for sale.

However the disposal will help Aitken eliminate its borrowings and strengthen its balance sheet.

The group is also raising £4.7m through a previously announced rights issue.

The sale is part of the strategy adopted by Mr Emmanuel Olympitis, the new chief executive, to strengthen the group by withdrawing from unprofitable businesses, and concentrating on three core areas, UK banking, fund management in the US, and offshore banking.

Mr Olympitis said yesterday that all of Aitken Hume's unprofitable operations had now been sold, and the company had substantially reduced its overheads. As a result of the Sentinel sale and the rights issue, the group would have about £4m in cash.

The group's board warned yesterday that results for the year ending March 31 will be "severely affected by difficult market conditions and one-off rationalisation costs". But the directors still viewed the future with confidence.

The completion of Aitken Hume's rationalisation is intended to bring to an end a period of considerable upheaval marked by internal disputes over strategy and a change in chief executive.

Mr Olympitis said he believes that Aitken Hume now has three viable core businesses on which to build.

Fenner to raise £16.2m by rights issue

By Clay Harris

J.H. FENNER (Holdings), the power transmission and conveyor belting manufacturer, is to replenish its acquisition warchest through a one-for-three rights issue to raise £16.2m.

The Hull-based company yesterday underlined the purpose of the fund-raising, its first for more than a decade, by agreeing to buy BTL, a manufacturer of speciality V-line transmission belts, from Readicut International for £3.25m.

After a restructuring programme which had cost a net £9m, Fenner said it was seeking to strengthen its presence in Western Europe ahead of 1992.

The new shares are being offered at 160p, compared with yesterday's market price of 197p, down 5p.

BTL would complement the existing US operation making belts used in domestic appliances and other industrial applications. BTL's West Yorkshire plant would give Fenner its first European manufacturing base for these products.

Fenner's Pennsylvania facility, meanwhile, would supply raw material to the UK plants and bring the advantages of lower cost processes developed in the US.

BTL, which has a small US sales and distribution operation, made pre-tax profits of £460,000 in the year to March 31 1988, on which date it had net tangible assets of £1.3m.

Readicut, a specialist textile company, said BTL no longer fell within its strategic plans.

Fenner said it intended to raise its interim dividend to 3.2p (3p) and recommend a final of at least 4.9p (4.5p) for the current year.

USM listing for R & V

By Clare Pearson

THE Unlisted Securities Market has gained its first Dutch recruit with the arrival of R & V Information Systems, a computer systems house.

R & V, valued at £5.25m at the placing price of 69p, makes an unusual addition to the market, especially as it has no plans at the moment to expand its business activities outside the Netherlands.

The company said it had been advised that, despite the much higher costs involved, the USM is a better arena on which to make its stock market debut than the Dutch equivalent.

Of the 3.22m shares being placed, representing 42 per cent of the enlarged capital, about half are being sold by Mr Peer Reinhard, who retains a controlling interest.

R & V supplies turnkey systems to companies across a wide range of Dutch industry and commerce. In 1988 it achieved pre-tax profits of Fl 1.99m (£558,000) on turnover of Fl 13.93m (£3.87m).

News Digest

GALLIFORD

Profit growth at 49%

FIRST-HALF profit growth for Galliford was 49 per cent, and indications point to a good second period.

The group, primarily connected with the construction industry, pushed up turnover from £75.3m to £82.3m in the six months to December 31, from which the pre-tax profit was £3.92m (£2.64m).

Mr Peter Galliford, chairman, said contracting activities increased profits and order books augured well. The East Midlands house building subsidiary produced good results and, based on current experience in its operational area, the second half "will be eminently satisfactory".

Distribution activities - principally bricks, blocks, roadstone - showed improvement.

Earnings for the half year were 3.67p (2.58p) and the interim dividend is raised to 0.85p (0.7p).

WILLIAM SINCLAIR

Export sales at record levels

Increases of 36 per cent in both turnover and taxable profits were reported by William Sinclair Holdings, horticultural products manufacturer, for the six months to end-1988.

Mr Thomas Sinclair, chairman of the group which moved from the USM to the main market last November, said that increased production levels and improving sales boded well for continuing expansion of the group.

The pre-tax outcome of £1.12m (£823,000) was achieved on turnover up from £8.48m to £11.54m. Export sales reached record levels, Mr Sinclair said.

Earnings per share rose to 4.63p (3.58p), and the interim dividend is lifted to 1.25p (1p adjusted for November's scrip issue).

CONT MICROWAVE

Loss at £26,000 but interim held

Continental Microwave (Holdings), USM-quoted specialist in microwave technology, yesterday announced pre-tax losses of £26,000 for the six months to end-December 1988 compared with a profit of £437,000 for the corresponding period.

The directors explained that the results reflected the impact of Micronics Technology Inc and full provision for a substantial cost over-run on a continental electronic defence contract.

Loss per share was 2.3p (4.2p earnings) basic but the interim dividend is maintained at 1.1p.

The directors said that the business traditionally has a stronger second half.

UK ECONOMIC INDICATORS

ECONOMIC ACTIVITY- Indices of industrial production, manufacturing output (1985=100); engineering orders (£ billion); retail sales volume (1980=100);retail sales value (1980=100);registered unemployment (excluding school leavers) and unfilled vacancies (000s). All seasonally adjusted.

	Indl. prod.	Mfg. output	Eng. order	Retail vol.	Retail value	Unemployed	Vacs.
1987 4th qtr.	108.0	109.4	29.1	133.3	210.5	[illegible]	[illegible]
1988 1st qtr.	107.7	110.8	31.1	135.3	173.3	2,466	[illegible]
2nd qtr	108.4	112.6	31.2	137.0	181.2	[illegible]	[illegible]
3rd qtr.	111.0	116.5	32.0	139.2	186.0	[illegible]	[illegible]
4th qtr.	110.8	117.8	33.1	140.8	[illegible]	2,161	[illegible]
March	108.4	111.4	31.7	135.4	175.1	2,454	[illegible]
April	108.9	111.5	31.0	136.3	180.4	[illegible]	265.8
May	109.5	112.9	31.3	137.7	180.4	[illegible]	254.5
June	110.9	113.1	31.2	137.0	182.3	2,324	[illegible]
July	110.8	116.0	31.7	140.0	181.4	2,267	[illegible]
August	110.9	116.4	32.1	138.5	187.8	2,225	[illegible]
September	111.5	117.1	32.0	139.4	185.8	2,192	[illegible]
October	111.9	117.1	32.4	141.2	198.8	2,162	[illegible]
November	111.7	117.4	33.0	140.4	218.0	2,105	[illegible]
December	109.7	118.8	33.1	140.8	272.2	2,039	[illegible]
1989 January				137.4		1,999	229.2

OUTPUT- By market sector: consumer goods, investment goods, intermediate goods (materials and fuels); engineering output, metal manufacture, textiles, leather and clothing (1985=100); housing starts (000s, monthly average).

	Consmr. goods	Invest. goods	Intmd. goods	Eng. output	Metal mnfg.	Textile etc.	Housg. starts*
1987 4th qtr.	108.9	107.8	105.0	107.5	112.9	103.4	17.8
1988 1st qtr.	109.5	106.2	107.5	107.4	118.8	103.2	19.6
2nd qtr	111.3	109.1	108.6	110.3	120.5	101.7	22.9
3rd qtr	113.9	115.4	106.3	115.8	123.8	102.1	20.4
4th qtr	114.9	113.8	106.1	115.3	122.9	102.1	18.8
April	110.5	106.1	108.4	108.9	123.0	100.0	21.9
May	113.1	107.3	108.7	110.8	120.0	102.0	19.8
June	111.7	111.9	108.5	112.0	119.8	101.8	23.5
July	113.7	113.9	106.4	115.6	125.0	104.0	20.6
August	113.3	115.9	108.1	116.9	126.0	102.0	20.5
Sept.	114.7	116.8	108.3	117.8	120.6	101.4	20.1
October	114.2	115.1	108.2	117.8	126.0	101.8	18.8
November	115.3	115.8	108.8	117.0	118.0	102.8	21.5
December	115.4	118.3	107.1	112.0	124.0	103.8	14.4
1989 January							19.2

EXTERNAL TRADE- Indices of export and import volume (1985=100); visible balance; current balance (£m); oil balance (£m); terms of trade (1985=100); official reserves.

	Export volume	Import volume	Visible balance	Current balance	Oil balance	Terms trade	Reserves US$bn
1987 4th qtr.	111.9	120.8	-3,290	-1,988	+1,073	97.8	44.33
1988 1st qtr.	108.2	117.1	-3,074	-2,036	+888	97.0	44.84
2nd qtr	110.5	126.6	-4,428	-2,661	+684	98.5	46.52
3rd qtr	110.2	136.2	-5,759	-3,724	+373	99.1	50.48
4th qtr.	109.9	127.3	-6,201	-4,061	+401	97.8	51.07
March	107.5	116.7	-1,024	-678	+220	98.5	44.84
April	113.8	123.3	-1,237	-848	+306	98.2	47.86
May	107.7	128.4	-1,713	-1,124	+223	98.7	48.53
June	111.8	130.2	-1,572	-883	+152	98.7	48.52
July	107.6	144.8	-2,661	-1,995	+70	98.6	49.53
August	108.8	127.8	-1,657	-970	+177	100.9	50.86
September	114.1	131.9	-1,473	-767	+164	99.1	50.48
October	103.7	139.6	-2,658	-2,258	+67	97.8	50.85
November	107.1	131.5	-1,808	-1,488	+152	97.6	51.04
December	109.1	133.3	-1,763	-1,365	+141	98.7	51.65
1989 January	114.5	140.1	-2,289	-1,899	+109	100.3	51.71
February							51.66

FINANCIAL-Money supply M0, M1 and M3 (annual percentage change); bank sterling lending to private sector; building societies' net inflow; consumer credit; all seasonally adjusted. Clearing Bank base rate (end period).

	M0 %	M1 %	M3 %	Bank lending £m	BS inflow £m	Consmr. credit £m	Base rate %
1987 4th qtr.	4.8	22.2	22.9	+11,282	3,097	+948	8.50
1988 1st qtr.	5.2	20.6	20.8	+12,903	3,051	+885	8.50
2nd qtr	6.6	18.8	20.83	+15,343	4,173	+1,195	9.50
3rd qtr.	7.7	17.4	22.7	+15,740	3,162	+1,082	11.88
4th qtr.	7.7	14.4	20.4	+13,379	3,198	+873	12.76
May	6.4	20.6	18.8	+3,798	1,358	+383	7.50
June	7.3	18.6	20.4	+5,144	1,229	+429	9.50
July	6.3	18.1	21.1	+6,155	1,382	+345	10.50
August	7.6	15.8	20.6	+3,389	1,178	+471	12.00
September	8.5	17.3	22.7	+5,675	621	+276	12.00
October	7.7	13.6	19.4	+4,269	1,553	+186	12.00
November	7.7	11.7	20.6	+3,857	705	+382	13.00
December	7.7	14.3	20.6	+6,173	819	+298	13.00
1989 January	7.4	11.4	21.4	+6,565	784	+224	13.00
February							13.00

INFLATION-Indices of earnings (1985=100); basic materials and fuels; wholesale prices of manufactured products (1985=100);retail prices and food prices (Jan 1987=100); Reuters commodity index (Sept 1931 =100); trade weighted value of sterling (1975=100)

	Earnings*	Basic matls.*	Whsale. mnfg*	RPI*	Foods*	Reuters* cmdty.	Sterling
1987 4th qtr.	120.5	96.4	109.8	103.2	101.7	1,683	74.9
1988 1st qtr.	121.8	98.9	111.8	103.7	102.8	1,747	75.3
2nd qtr	124.8	97.8	112.8	106.2	104.8	1,817	77.8
3rd qtr.	127.5	98.8	113.9	108.6	104.7	1,902	75.9
4th qtr.	131.9	100.1	115.2	109.9	105.7	1,887	77.5
May	124.1	97.7	112.6	106.2	104.7	1,776	78.4
June	125.9	99.5	113.0	106.6	104.8	1,936	76.2
July	128.3	98.4	113.5	106.7	104.0	1,978	75.6
August	128.8	98.8	113.9	107.9	104.4	1,863	76.5
September	127.3	98.2	114.3	108.4	104.8	1,873	75.5
October	128.9	98.0	114.9	109.5	104.9	1,874	76.3
November	131.2	98.8	115.2	110.0	105.7	1,865	77.3
December	135.7	102.5	115.4	110.3	106.5	1,821	79.6
1989 January		103.7	116.5	111.0	107.4	1,999	97.9
February						1,954	97.4

*Not seasonally adjusted

†Net changes in amounts outstanding, excluding bank loans.

UK COMPANY NEWS

Increased contribution from UK businesses

GKN beats expectations with 21% rise to £177.6m

By Clare Pearson

GKN, the automotive components and engineering group, bettered market expectations with a 21 per cent advance in pre-tax profits to £177.6m in the year to December 31.

Assisted by the sale of Allied Steel & Wire for £180m at the end of 1987, and higher UK interest rates, net payable interest fell more than was expected, from £29.2m to £21.1m, boosting the taxable result.

Mr David Lees, chairman, stressed the increasing strength of the group's balance sheet with the gearing ratio falling from 37.9 to 35.6 per cent. The directors have proposed that the final dividend be lifted to 10.75p (9p), making 17p (14.5p) for the year.

Earnings per share rose 27 per cent to 44p (34.7p), helped by a fall in the tax charge from 34 to 32.1 per cent. This was due to an increased contribution from UK businesses, where the effective tax charge is only 10 per cent. These now account for 37 per cent (35 per cent) of group profits before interest and tax.

Mr Lees said markets for GKN's products had been stronger than expected during the second half of the year.

The company had "entered 1989 as strongly as it left 1988", he said, but added that it was extremely difficult to predict what trading would be like more than a couple of months ahead.

He pointed to the increased trading profits achieved by the industrial services businesses, which rose to £47m (£37m). Vigorous development of this division had meant it now accounted for 30 per cent of the group surplus.

Divestments and adverse currency movements meant sales came out slightly lower at £2.37bn, against £2.41bn in the previous year.

Automotive and defence operations achieved trading profits of £100m (£92m), despite adverse exchange rates and a much reduced contribution from two businesses sold early in 1988.

Defence improved substantially with the Warrior tank in full production throughout the year. Sales of the passenger car business worldwide benefited from strong demand. Pressure on continental European prices was partially offset by cost reduction programmes.

The trading profits of autoparts distribution and services were static at £11m, in spite of both adverse currency movements and substantial divestments.

Related companies put in £41.2m (£37.3m) on sales of £381.6m, (£508.9m). GKN's acquisition last October of a 22 per cent stake in Westland, the helicopter company, at a cost of about £48m had no significant effect on 1988 results.

Mr Lees said he did not expect GKN to divest its 39.1 per cent interest in United Engineering Steels within the next two years.

David Lees – markets had been stronger than expected

● COMMENT

These results not only beat market expectations but got better on closer scrutiny, with virtually every financial ratio showing encouraging improvements. Almost all areas should advance further this year, pushing pre-tax profits up to £200m or even beyond, although new shares issued especially in connection with the recent Tokyo listing will produce a less impressive earnings per share advance on a similar tax charge. The company's enthusiasm for Westland continues to provoke some concern, and of course the shares are overshadowed by concerns about the automotive sector. Nevertheless, with them standing on a prospective p/e of a touch above 8, and providing an above-average yield, the idea is to buy on weakness.

Enlarged Nestor advances to £4.7m

IN ITS first full year of listing, Nestor-BNA produced record results in 1988 and continued to expand through organic growth and acquisitions.

On a restated basis, turnover of this nursing agency and nursing homes group rose from £53.7m to £65.85m and operating profit from £3.86m to £5.05m.

At the pre-tax level, profit was up 44 per cent to £4.71m (£3.27m).

Mr Richard Burton, chairman, said the year included first time contributions from Scott-Grant Organisation and New Hall Hospital, the two largest acquisitions. Without those, profit would have been £3.7m.

He added that the current year had started well, and he was confident of significant growth.

Earnings for 1988 came to 7.7p (5.9p). The final dividend is 1.7p for a total of 2.5p.

The split of operating profit showed (in £000s): nursing agencies £3,006 (£2,565); hospitals and nursing homes £1,132 (£681); specialist personnel £774 (£334); doctors' deputising services £577 (£454).

Central costs were £439 (£174).

Wickes surges to £16m and sales buoyant

By Maggie Urry

WICKES, the DIY retailer which last September acquired the Hunter timber group for £283m, yesterday reported substantial growth for 1988, with sales up from £178m to £361m and pre-tax profit from £6.69m to £16.3m.

Excluding the Hunter purchase, the Wickes chain showed a sales increase of 22.5 per cent to £218m and operating profits up 36.5 per cent to £13.1m. Sales in comparable Wickes' stores in the UK rose 10 per cent and in Belgium and the Netherlands they were up 8 per cent.

Mr Henry Sweetbaum, chairman and chief executive, remarked "if the Hunter group had been a part of Wickes for the whole of 1988, Wickes' turnover for the year on a pro-forma basis would have been £680m." Hunter's results were included from September 17. At the time of the acquisition it was forecast to make a pre-tax profit for 1988 as a whole of £25m.

Mr Sweetbaum said he was pleased with the purchase of Hunter, though there was work to be done in bedding it down.

He said the effect of higher interest rates on consumer expenditure did not seem to be causing any slowing in group sales. Wickes' sales of its higher cost "projects," packages which allow the DIY enthusiast or small builder to assemble conservatories, porches and other major jobs, were going well, he added. For instance, 75 customers had asked for plans for a new project, a £12,000 covered, heated swimming pool, in only a few weeks.

About 60 per cent of the group's sales goes to the repair, maintenance and improvement market, Mr Sweetbaum said.Sales could have been helped by the mild winter weather, but research suggested that people who had not moved house in the last few years still had plenty of disposable income.

Pre-tax profits were struck after a doubling of interest charges to £6.2m and included property profits of £1m (£347,000). Earnings per share, fully diluted, rose 40.5 per cent to 16.3p, helped by a lower tax charge. The final dividend is 2.81p, as forecast at the time of the Hunter deal, to make the total 3.5p (1p).

● COMMENT

Wickes' management retains the confidence of the City, although investors are still reeling from the size of the Hunter acquisition, paid for in shares. Despite Mr Sweetbaum's reassurance, there is still concern that DIY sales will be hit by higher interest rates at some point. But Wickes seems to have found a genuine niche in the DIY market at the heavier end; while others are selling pots of paint Wickes is achieving far higher sales per square foot from patio doors, central heating systems and garden sheds. Profits should top £40m this year with the prospective p/e a little over 10, on the shares at 229p, up 4p yesterday. Despite faith in the management, the shares could be dull in the short term.

Instem recovers strongly with profits at £681,000

By Clare Pearson

INSTEM, the USM-quoted control equipment manufacturer whose profits slumped in 1987 recovered strongly in the 53 weeks to end-December 1988.

Pre-tax profits doubled to £681,000 while earnings per share rose from 4.6p to 9.7p. The results marked a reversal of several years of disappointing figures which had seen pre-tax profits fall from £872,000 in 1985 to £338,000 in 1987.

The improvement was scored on a turnover increase of only 9 per cent to £7.56m (£6.92m).

Following a business review in 1987, Instem now supplies systems for data acquisition, monitoring and control, and specialist electronic services to five main sectors: power generation, water management, industrial processing, mining and, to a lesser extent, scientific research.

Supply of work from these customers was plentiful said Mr David Gare, Instem's chairman. Business placed with the company during the year totalled £8.5m, spread fairly evenly between the main customers.

This placed Instem in a strong position for the current year, he said. But he expected some diminution in pre-tax margins.

The final dividend is set at 1.5p, making an unchanged 2.5p for the year. Dobson Park Industries, the mining equipment and engineering group, holds about 37.5 per cent of the shares.

PUBLIC WORKS LOAN BOARD RATES

Effective March 8

Years	Quota loans A* repaid by EPT†	Quota loans A* repaid At††	Quota loans A* repaid at maturity§	Non-quota loans B* repaid by EPT†	Non-quota loans B* repaid At††	Non-quota loans B* repaid at maturity§
1			11¾			12½
Over 1 up to 2	11⅝	11½	11	12⅝	12½	11¾
Over 2 up to 3	11¼	11⅛	10⅝	12¼	12⅛	11⅜
Over 3 up to 4	10⅞	10⅞	10½	11⅞	11⅞	11¼
Over 4 up to 5	10¾	10¾	10⅜	11¾	11⅝	11⅛
Over 5 up to 6	10⅝	10⅝	10⅜	11⅛	11⅛	10⅞
Over 6 up to 7	10½	10½	10⅜	11	11	10⅞
Over 7 up to 8	10½	10⅜	10¼	11	10⅞	10¾
Over 8 up to 9	10½	10⅜	10⅛	11	10⅞	10⅝
Over 9 up to 10	10⅜	10⅜	10	10⅞	10⅞	10½
Over 10 up to 15	10⅜	10	9⅝	10⅞	10½	10⅛
Over 15 up to 25	9¾	9½	9¼	10¼	10	9¾
Over 25	9⅜	9¼	9⅛	9⅞	9¾	9⅝

*Non-quota loans B are 1 per cent higher in each case than non-quota loans A. † Equal instalments of principal. †† Repayment by half-yearly annuity (fixed equal half-yearly payments to include principal and interest). § With half-yearly payments of interest only.

UK COMPANY NEWS

Heywood extends plastics side

By John Thornhill

HEYWOOD WILLIAMS Group, the glass and aluminium specialist, is to expand its activities in manufacturing plastic windows and door frames through the acquisition of 80 per cent of a uPVC section extruding company, Vinylex Window Systems.

The acquisitive Heywood also reported a 50 per cent increase in profits to £30.34m (£20.21m) in the year to December 31.

The results included contributions from four businesses bought during the year: 10 months from Holdens Glass; nine months from Auto Windscreens; eight months from Central Glass; and four months from its investment in the Netherlands. These new businesses, acquired for £27m, contributed £2.4m to profits.

Mr Ralph Hinchcliffe, chairman, said that other selective acquisitions were in prospect but added: "Our policy is to build a business not a financial empire."

He said there had also been substantial growth in profitability from Heywood's core businesses, apart from two window companies in its aluminium operations which had been disposed of. Their write-off represented an extraordinary charge of £2.3m.

Turnover was 22 per cent ahead at £282m (£230.4m). Earnings per share rose 23 per cent to 32.7p (26.6p) and a final dividend of 7.5p (6p) was recommended which will make 11.5p (9.5p) for the year.

Vinylex, based in and around Gloucester, uses advanced extrusion technology, licensed by Royal Plastics, of Toronto, Canada, which will retain a 20 per cent holding in the company.

Heywood will make an initial payment of £10m for Vinylex, £5.25m in cash and £4.75m in shares. It has also agreed to pay an additional sum equal to Vinylex's pre-tax profits in excess of £1.8m in the four calendar years to 1992.

In the year to June 30, Vinylex made pre-tax profits of £1.17m on sales of £4.59m. Net assets were £1.23m.

Mr Hinchcliffe admitted yesterday that companies under Heywood's control had been involved in price-fixing activities in the glass industry. Directors had given undertakings that they would not again operate in such cartels.

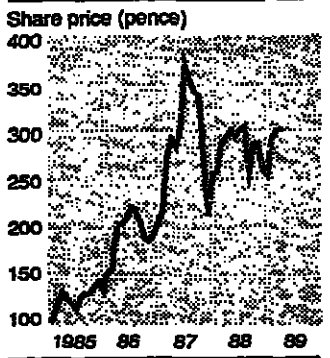
Last year, the Office of Fair Trading unearthed a nationwide web of price-fixing agreements in the glass industry.

● **COMMENT**

Heywood's price-fixing activities may tarnish its image but they are unlikely to cramp its profits. The company has shown a strong advance in recent years and, although the going is getting tougher, further growth is on the way. Heywood has a keen eye for acquisitions and yesterday's addition confirms this reputation. With a healthy balance sheet and good cash flow yet more expansion seems likely, probably on the continent. The glass market there poses different challenges but would seem to offer tempting opportunities, especially in the specialist areas. Heywood's share price has experienced quite a rise recently and may not look too lively in the short-term, especially considering the likely contraction of the construction industry. A prospective p/e ratio of 8 on profits of about £37m would also suggest a fairly dull performance, but as a very sound long-term low-risk investment, Heywood looks hard to match.

Heywood Williams

Share price (pence)



Herring Son near doubled at £2.08m

ACCELERATON in the second half has enabled Herring Son & Daw to almost double its pre-tax profits for the year ended January 31 1989.

Mr Peter Farrington, chief executive of this chartered surveyor, commercial estate agency and property services group, said the end of the first year trading as a public company saw the company gain from an active property market, but the benefits of flotation had been greater.

Enhancement of profile led to new business opportunities and the ability to make acquisitions such as the purchase of James Barr, the Glasgow-based surveyor.

Turnover in the year rose 35 per cent to £7.55m and the profit was £2.08m; figures did not include any benefit from James Barr. Earnings were ahead 75 per cent at 13.69p, and the final dividend is 2.5p for a 4p total.

Prospects look good. The order book for future business showed an increase of 35 per cent, ignoring a £10m fee potential from secured rating business for the 1990 rating revaluation.

US tobacco buy

American Distributors, the former Sapphire Petroleum, has purchased the customer lists of Nu-Service Tobacco and All County Wholesalers of New York state for $1.5m (£870,000)in cash.

The company, which has transformed itself from an oil and gas business into a tobacco distributor, said that the combined sales of Nu-Service and All County Wholesalers were $35m per annum. The purchase is being made by American Distributors subsidiary, Golden Distributors.

Watmoughs up 41% and £14.7m rights to fund acquisition

By Ray Bashford

WATMOUGHS (HOLDINGS), the colour printer, publisher and process engraver, lifted pre-tax profits 41.3 per cent to £6.8m for the year to December 31 following an 11 per cent improvement in turnover.

The company also announced a one-for-four rights issue to raise about £14.65m and fund a £16.71m acquisition.

Norton Opax, the security printing group, is selling Watmoughs its McCorquodale Varnicoat, the Pershore, Worcestershire-based subsidiary which specialises in printing long run consumer magazines by web offset and gravure process.

Varnicoat contributed pre-tax profits of £1.1m to Norton Opax's group result in the year to September 30 and has net assets of £9.9m.

The disposal ends Norton Opax's participation in the printing of consumer magazines.

Mr Patrick Walker, Watmoughs' chairman, said that the purchase opens the way for expansion in the consumer magazine market. The company has well established associations with several major magazine and newspaper publishing houses.

Watmoughs turnover increased from £53.9m to £59.85m in the year. The tax provision rose from £1.2m to £1.9m, while the interest charge slipped from £679,000 to £364,000.

The company is recommending a final dividend of 5.5p, lifting the total to 8.5p, compared with an adjusted 6.875p before.

Polly Peck pays £7m for Hong Kong stake

By Michael Murray in Hong Kong

Polly Peck Far East, the Hong Kong-listed subsidiary of Polly Peck International, the UK-based trading and manufacturing group, has paid HK$93m (£6.9m) for 21 per cent of Shell Electric, a Hong Kong-quoted supplier of household appliances.

The stake was bought from Dr Yung Yau, chairman of Shell Electric. The company makes a wide range of electric and electronic products, including ceiling fans, microwave ovens, telephones and electronic keyboards.

The company has direct sales to over 30 countries, including major retail chains in the US.

Mr Barry Buttifant, a PPFE director, said Polly Peck intended to expand sales into new markets such as Europe, using its own well-established distribution network. PPFE is financing the purchase through its internal cash resources.

Shell Electric has relocated virtually all of its manufacturing facilities from Hong Kong into China, in order to take advantage of low labour costs and increase production capacity, which is constrained in Hong Kong because of an acute labour shortage in the territory.

News Digest

BM GROUP

Profit surge to near £7m at halfway

MORE THAN doubled profits were achieved in the first half of 1988 by the BM Group, engaged in engineering, construction and building supplies. This followed a 74 per cent rise achieved in the last full financial year.

On turnover rising from £47m to £81m, the halftime profit surged from £3.13m to £6.89m. Earnings were 13.9p (8.2p) and the interim dividend is raised to 1.6p (1.2p).

Mr Roger Shute, chairman and chief executive, said the second half started with strong orders and expectations for further trading improvement.

It continued to be policy to seek further opportunities to broaden the product base and to increase market penetration to ensure continuing increase in earnings, he said.

Within the construction equipment division demand remained strong, and the building products side produced excellent results, particularly within Simplex Piling.

MICROVITEC

New contracts provide spark

A 25 per cent expansion to £1.76m in pre-tax profits was reported by Microvitec in 1988 on turnover up from £21.23m to £26.63m.

This USM -quoted maker of micro-electronic products attributed much of the increase to the performance of the OEM division which secured contracts with British Telecom and Reuters.

Earnings per 5p share rose to 4.2p (3.5p) and a proposed final dividend of 1p makes 1.75p (1.5p) for the year.

LAWTEX

Sharp recovery in first half

Lawtex, the manufacturer of clothing and umbrellas, sharply increased pre-tax profits from £49,000 to £218,000 for the six months to December 31. For the 53 weeks to July 2 1988 the company suffered losses of £963,000.

Turnover declined to £9.47m (£10.53m). Earnings worked through at 5.3p (0.9p) after tax of £7,000 (£15,000) and an interim dividend of 0.05p (1p) is declared. There was an extraordinary £119,000 debit relating to the disposal of its Xetal computer business.

The umbrellas business suffered from the dry autumn, and Safeguard, the company's small developments and engineering operations, had a disappointing half. The Irish leisurewear business made good progress after last year's reorganisation.

SUNSET + VINE

Sharp growth to £320,000

Sunset + Vine, the independent television production group which joined the USM last October, announced pre-tax profits of £320,000 for the half year to end-December.

The outcome — an advance of 53 per cent on the corresponding period of 1987 — was posted on turnover up from £833,000 to £1.06m. Earnings per share expanded 45 per cent to 4.8p.

RANDSWORTH TRUST

Interim profit doubled at £4m

Doubled pre-tax profits of £4.27m against £2.13m were announced by Randsworth Trust, USM-quoted property investment and development company, for the six months to December 31 1988. Income for the period improved from £10.03m to £10.59m.

The directors have lifted the interim dividend to 1.5p (1p). Earnings per share increased to 3.92p (1.75p).

Mr David Holland, the chairman, said the company had continued to consolidate its property investments in the West End of London and to dispose of its interests elsewhere. Last month the company acquired St Christopher's Estate, W1, for £56.5m.

COMPANY NEWS IN BRIEF

COOK (WM) has, through its Holbrook Castings subsidiary, acquired Neepsend Castings for about £185,000 cash. There is also an option to acquire certain land and buildings for a further £116,000.

GRAND CENTRAL Investments is to sell its two remaining UK properties, in Stockport, Cheshire, for £550,000 cash. After the sale, it will have completed the realisation of its 1986 UK property portfolio acquisition for £5.1m, against the cost of £2.9m. The proceeds will now be used to develop the trading businesses in Malaysia, Singapore, Hong Kong and Australia.

HOWDEN GROUP has bought Food Equipment Group, of The Netherlands, which makes vacuum packaging machines for the meat and other food industries. Consideration was an immediate £750,000 cash, with up to a further £1.33m profit-related.

JOHNSTONE'S PAINTS: Directors of LS UK have declared the offer for all shares in the company closed. LS is to acquire compulsorily any outstanding shares.

MMC CLEARANCES: The acquisition of a 24.9 per cent stake in Airlines of Britain Holdings by Scandinavian Airlines, and the proposed acquisition by SGS-Thomson Microelectronics of Inmos, a Thorn EMI subsidiary, will not be referred to the Monopolies Commission.

NEW TOKYO Investment Trust: net profits £20,000 (£31,000 loss) for year to December 31; investment income £870,000 (£805,000); earnings per 50p share .49p (losses 0.07p); dividend .25p (nil); net asset value at December 31 167.5p (162.4p).

NORTH EAST Essex Building has built up a 5.02 per cent stake in Owners Abroad, the tour operator. Mr Raymond Raymond, managing director of the privately-owned company which also owns 9.15 per cent of the Hey & Croft building group, described the holding as "purely a long-term passive investment."

OFFERTEST: the consortium backed by Compagnie Générale des Eaux, French water company, announced that its £7.8m bid for Wistech, waste disposal group, was unconditional. It had received valid acceptances in respect of 89.25 per cent of Wistech's capital. All unsatisfied conditions of the offer had been waived.

RADIUS has agreed to acquire Systemsolve (Computer Services), Middlesex-based ICL systems house, for a total consideration of £2m, to be satisfied by £1.2m in cash and the issue of 618,462 new shares to be retained by the vendors. A further 950,000 new shares are to be placed to raise the cash element of the purchase.

T & N has acquired Triton Plastics, a West Midlands-based composite moulder and machining specialist, for £1.9m.

TRANSCONTINENTAL SERVICES Group had a net asset value of 279p per share at December 31. Fully diluted the figure was 268p. They compare with 293p and 283p respectively at September 30 1988.

VIKING RESOURCES: Aviva Petroleum has bought 7.63m ordinary taking its total holding to 19.55m ordinary (48.9 per cent).

WYNDHAM GROUP is selling freehold properties on Springvale Industrial Estate, Cwmbran, Gwent, for £1m cash. Net profit over original purchase price is some £400,000.

MANAGEMENT: Marketing and Advertising

Market research in the UK

A preoccupation with predators

Antony Thorncroft finds the industry has a broader base — and a certain complacency

The acquisition of market research companies has become as popular in the UK as the research they produce. Two years ago the largest research business in the world, Nielsen, with a UK turnover of £26.2m last year, succumbed to a takeover by Dun & Bradstreet, the US financial information group, and last year, the largest in the UK, AGB, with a domestic annual turnover in 1988 of £36.6m, was acquired by Robert Maxwell's Pergamon publishing group.

The next two companies in size, Research International, with sales of £17m and Taylor/Nelson MAS (£16.4m), have both changed hands in the recent past — they are now owned by Ogilvy & Mather and the Addison Group, respectively. NOP, with a turnover of £13.4m, remains part of Associated Press, but the sixth company in size, Millward Brown (£12m) is believed to be on the market and negotiating with Martin Sorrell's WPP Group.

Last week, the industry, in the shape of the Market Research Society, held its annual conference in Brighton and, not surprisingly, much of the talk was taken up with the politics of success and how to respond to the predators rather than on how to generate business.

The need to sell the advantages of research to clients is less pressing now that British business invests £300m a year in research projects, and has largely disbanded internal market research departments in favour of buying in expertise from specialist research firms when the need arises.

The largest specialists in the field, grouped into the Association of Market Survey Organisations, reported a growth in turnover of 15 per cent last year and forecast a similar increase in business for 1989.

The research companies have managed to appeal to a new generation of clients. Traditionally they worked for manufacturers of consumer goods — the likes of Unilever, Procter & Gamble, and Cadbury Schweppes. As recently as 1982 52 per cent of AMSO members' turnover came from this sector, with food and soft drink producers alone commissioning almost a quarter of all research. They bought data on retail sales, the testing of new products, and advertising effectiveness.

Now consumer goods companies, while remaining heavy buyers, only contribute 40 per cent of the total. Clients in other markets have come to the fore. They include the media (its appetite for research has doubled since 1982 and it now accounts for 10 per cent of AMSO turnover), financial services, and public utilities (British Telecom is probably equal to Unilever as a buyer of research).

There are weak spots — industrial research has never really got off the ground in the UK and the Government is a stingy buyer — but generally research has successfully broadened its client list. UK companies feel they are particularly well placed to pick up pan-European research assignments, especially from American companies, and the turnover of the overseas subsidiaries of AMSO members in 1988 added another £100m to their collective sales.

But beneath the surface prosperity there are negative currents. The British research industry is perhaps too complacent about 1992 and its role in a single European market; foreign researchers, especially the French, are coming up with some good new techniques, and the failure of AGB to crack the American market in television research was a very costly reminder that technological cleverness is not everything when the local competitor, Nielsen, is determined and has the financial resources to outprice any newcomer.

The fact that predators are sniffing around the industry — Saatchi & Saatchi has long nurtured ambitions of making an acquisition — suggests that outsiders feel that market research offers opportunities for cost-cutting, streamlining and improved commercial exploitation. As Robert Worcester of MORI pointed out in a paper to the conference, 60 per cent of the Captains of Industry quizzed last year felt that they were familiar with the role of research, and a half had a favourable opinion of its usefulness. But this compared with figures of over 75 and 60 per cent respectively in 1986.

Undoubtedly, the development of technology will transform the industry, favouring a few large companies which can afford the investment in new equipment — such as hand-held computers for interviewers — while the smaller operations will concentrate in specialist areas, on qualitative research, and on developing new ancillary techniques.

So far technology has not transformed research — even the telephone, which was expected to form the basis of most data collection as the great majority of homes in the UK acquired phones, still only accounts for around 13 per cent of interviews by volume.

It must also worry market researchers that few client companies have developed a continuous relationship with a research supplier. When they need research they buy it in, often after getting proposals from a number of competing firms. This means that research executives spend much of their time pitching for business rather than developing new techniques.

Many British companies seem to grudge spending money on research and do their best to keep research suppliers on their toes by buying studies on an ad hoc basis.

For example, next year the biggest continuous contract in the UK industry — BARB, the measurement of the TV audience and worth around £3m a year — comes up for renewal. The holders, AGB, will be pitching, along with Nielsen, which once held it, and Research Services Millward Brown, which, aided by two ex-AGB executives, has also joined the hunt. But the BBC and ITV have made it difficult, and less profitable, for the applicants, by splitting the contract into three sections.

The BARB contract is an exception. In general a big buyer of research would only be investing £1m a year, an insignificant sum for information which should form the basis for the expenditure of many millions in new projects. Perhaps the research companies need the shake-up provided by new owners.

In the meantime the research industry is concentrating on the other side of the equation, the general public, which provides the data.

So the Market Research Society has designated the week beginning May 22 as "Market Research Week." There will be a big public relations and marketing push to make market research more user-friendly. It is an idea taken from the US where research faces real problems of consumer resistance — over a half of potential interviewees refuse to take part in face-to-face questioning. In the UK the refusal rate is 18 per cent, but rising.

So market research faces a double challenge while enjoying another prosperous year — to persuade its paymasters that it is a worthwhile investment and to convince the general public that it is a beneficial activity.

The value of a field force

Philip Rawstorne explains why companies increasingly use substitute salespeople

The field marketing industry — which provides trained sales forces for companies on contract — has more than trebled in size in the UK in the past seven years from an annual turnover of £25m to £80m.

One reason for the growth is the increasing cost of putting a full-time salesperson in the field. According to a report published today*, based on research carried out for Counter Products Marketing, the leading UK field marketer, the average annual cost has now reached £33,665.

Salary and related costs — bonuses, commission, pension contributions and National Insurance — amount to £16,200, less than half the total. The remainder comprises the cost of cars and expenses, and an estimated share of head office costs for management, recruitment, training and retraining.

Changes in the retail trade have also led manufacturers to review the role of their full-time sales forces. The growth of multiple retailers, with strong, centralised controls, has reduced opportunities for manufacturers to influence product stocking, space allocation, merchandising and special promotions at branch level.

"There are large sectors of the trade we don't call on, because there is no need to," says Richie Elliott, general manager for trade, of Heinz, the food manufacturer. "It wouldn't influence anything ... the range, shelving and space arrangements, promotions — everything is centrally determined. So why put anyone through the door?"

But while most multiple retailers' sales deals are negotiated at head office level — and computers pass orders to other computers — many manufacturers have found it important to collect information about their products, and those of their competitors, from the point of sale.

There are still many smaller units, too, where manufacturers can influence product merchandising and the support of new products, and where retailers are open to ideas for improving sales and margins.

The field marketing industry — with more than 20,000 part-time personnel, mainly women between the ages of 25-50 — offers a flexible and economical method of carrying out these tasks, the industry claims.

Heinz makes use of contracted field forces in new product launches and heavyweight promotions.

Thomson Holidays first turned to the industry for tactical reasons. "If we wanted to launch a product and couldn't get to every travel agent in two days — our usual target — we would ... ask for a tactical force to cover 4,000 outlets. And 'bang', we could cover the trade instantaneously," says David Parkins, sales director.

From that developed a regular programme of contracted work, involving 70 people calling on 3,000 travel agents on a two-weekly cycle, and sometimes weekly.

Thomson, which sees an even greater need to maintain personal contact with travel agents as booking and information processes become more automated, has its own manager at the contractor's offices. "He manages the policy, he writes and organises the brief that changes every two weeks ... he knows our business and creates the right leadership and liaison," says Parkins.

Guinness, the drinks group, used a contracted field force to collect cheques during last year's postal strike. But apart from such tactical uses, it employs a regular team to "ensure that our products get their fair share of display space and merchandising attention," says sales director, Graham Rippon.

There can be disadvantages in using an outside service. "There is a period when the contracted sales force needs to learn and understand our business ... so it can assess in advance the way we think about things," says Rippon. "To get that fully on board requires fairly consistent hard work over a fairly substantial period of time. There is also the area of delicate, confidential information."

Though the amount of business with the grocery trade has been declining, the report predicts that contracted field marketing will increase its role in the food, drink and tobacco trades over the next five years.

Manufacturers, it says, will increasingly require in-store information to match that being obtained by the retailers. Retailers themselves, as competition grows, will become more concerned with the care given to their customers.

The report identifies other retail sectors in which it believes the skills that have been acquired by the field marketers will increasingly find a demand.

"Changes in the population structure and in people's wealth, changes in how they spend their leisure time, will open new opportunities for selling and promotion.

"There are many types of organisation today that sell indirectly to consumers. Just as in the food, drinks and tobacco trades, they need a presence at branch level to ensure their product is in distribution, is well displayed, and that promotional material is being used in the most effective way."

* *It Can't Be Bought If It Isn't There. £25, Counter Products Marketing, Thame, Oxon. OX9 3PG.*

Reaching US viewers, diplomatically

The British consulate in Los Angeles is offering British companies an opportunity to market themselves to American TV audiences. It is boosting its sponsored television series, Focus On Britain, by adding nationwide distribution on cable channels through the Discovery Channel and syndicating the series to independent TV stations across the US.

It has also awarded the contract for the next 13 part series to Roymark, a British production company — the first time a commercial company has produced the series, which up to now has been made by the Central Office of Information, based in London.

The series adopts a magazine format, looking at industry, the arts, business and travel in Britain today; each half-hour programme deals with a different subject.

British companies can sponsor whole or part programmes, meeting 75 per cent of the overall production cost; the remainder is paid by the Foreign Office. Companies pay $75,000 to sponsor a whole programme, $19,000 for a quarter. Advertising-only deals are available too. For its initial run in the US, the British consulate buys airtime on TV stations in the major cities.

The 1988 series was seen on the Fox mini network in Los Angeles, New York, Chicago and Washington DC by a total audience of 6m. Just adding the Discovery Channel will bring the series to another 35m homes across the US.

US television regulations prohibit programmes which are straight commercials, so the series takes a broadly based look at Britain, drawing filmed examples and product illustrations from sponsors. They are invited to work with the production company to develop their own area of interest.

"The aim is to give an overall view of Britain, which boosts British companies at the same time — remaining sufficiently objective to prevent viewers switching over to one of the other twelve or so channels available in the US," says vice-consul John Houlton.

The programme will be American in format, fast paced, introduced by a well known British star and with familiar US broadcasters as hosts. Subjects already planned for the new series include high-tech industry in Scotland and hot issues like the British contribution to "burden sharing" with the US on defence.

A high proportion of sponsors have become regular contributors to the series, but the Consulate wants to bring in more. Roymark is responsible for finding sponsors as well as producing the shows. "The response has been enormous — it's a very inexpensive way of reaching that market," says managing director Des Good.

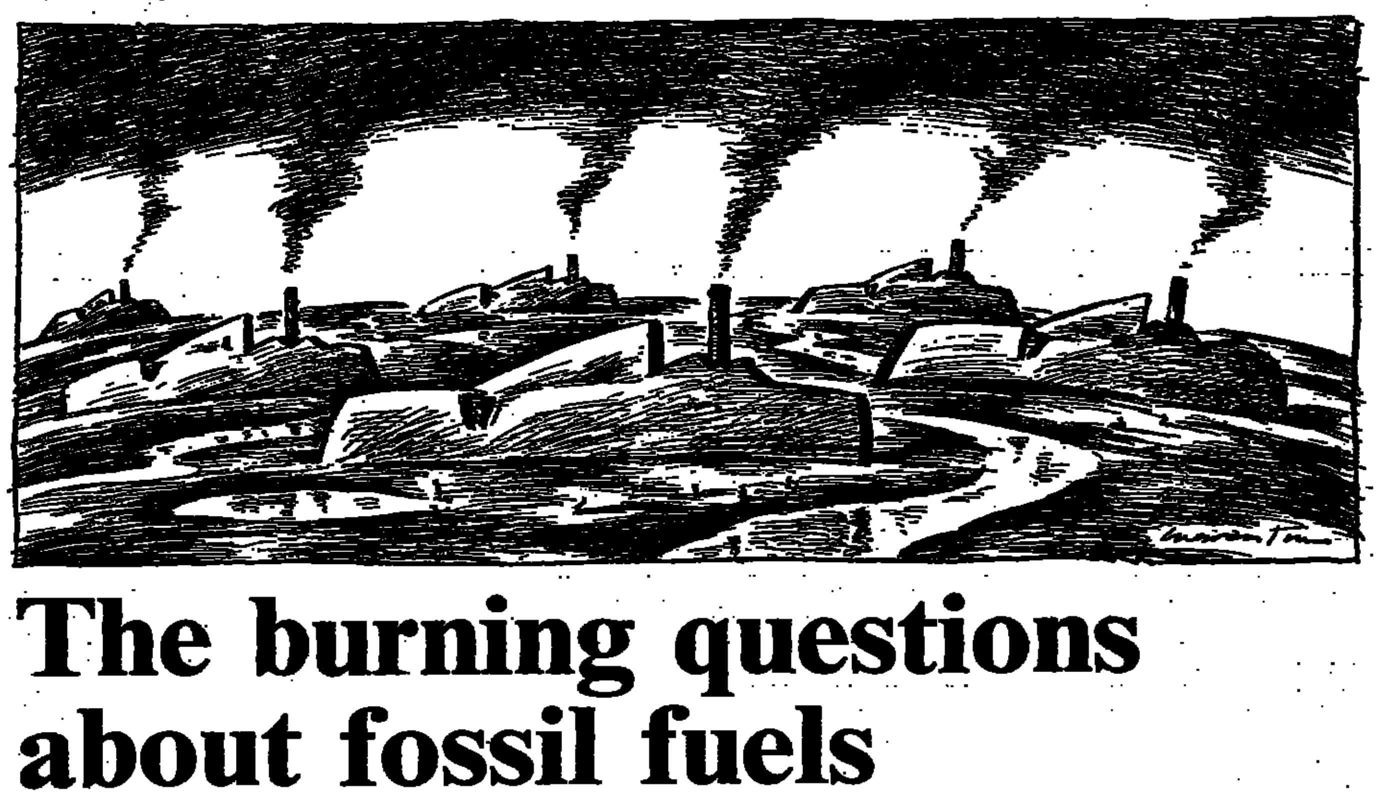
Those due to take part in the next series include British Airways, British Telecom, Trusthouse Forte and British Aerospace. Scripting for the series began last month, with reconnaissance visits in April and a 13-week shoot starting in June. The programmes will be aired in the US in 1990.

Nick Radlo

TECHNOLOGY

Continuing a series on industry's role in preserving the environment, **Clive Cookson** assesses the cleaner ways of generating power

The burning questions about fossil fuels



The electricity supply industry has long been the favourite target of environmental campaigners.

In the past decade, fear of radioactive waste from nuclear power stations has been aggravated by worries about acid rain, which is caused by sulphur and nitrogen pollution from coal-fired power stations.

And now carbon dioxide, produced by burning fossil fuels, is being seen as a serious pollutant because it is the most important contributor to global warming through the greenhouse effect. (Fortunately for the industry, power stations are not implicated in the other global air pollution problem — destruction of the ozone layer.)

Acid rain is not quite such an emotive issue today as it was a few years ago, when environmental groups drew attention to the way it was poisoning lakes and forests, and eroding buildings. Some of the steam has gone out of the protests since the electricity utilities started to spend large sums on equipment to reduce acid pollution.

World-wide expenditure on flue gas desulphurisation (FGD) equipment is likely to exceed $5bn a year by 1991. Several European countries, notably the UK, Italy and Spain, will be spending heavily to meet last year's EC Large Plants Directive, which requires a 60 per cent reduction from the 1980 level of sulphur dioxide emissions by 2003. Emissions of nitrogen oxides (Nox) must be cut by 30 per cent by 1998.

Similar legislation is expected in the US, where acid rain is damaging lakes and forests in the north-eastern states and in Canada. Canadians feel as bitter about US exports of acid rain as Scandinavians do about pollution drifting across the North Sea from Britain. New estimates from the UK Government's Warren Spring Laboratory, in Stevenage, show that 78 per cent of the country's sulphur dioxide emissions and 35 per cent of Nox emissions originate from power stations.

Nox pollution can be reduced by modifying the way coal is burnt. In the UK, the Central Electricity Generating Board (CEGB) will have spent £170m by 1997 on "low Nox burners" for its 12 largest coal-fired power stations.

But sulphur dioxide emissions cannot be reduced by adjusting the conventional combustion process. This pollutant has to be removed after combustion by "scrubbing" the flue gases. The CEGB expects that £1.8bn will have to be spent on FGD equipment.

Most of this technology has been developed in Japan or the US. Although several types of scrubber are in use, the CEGB believes that only two processes, "limestone-gypsum" and "regenerative", are suitable for large power stations.

Limestone-gypsum, used at 400 plants world-wide, has been chosen by the CEGB for Europe's largest power station, the 4,000 megawatt (MW) Drax plant in Yorkshire. In this system, developed by Babcock-Hitachi in Japan, the flue gases pass through a spray containing finely divided limestone. The sulphur dioxide reacts with the limestone (calcium carbonate) to produce calcium sulphite, which is converted to gypsum by oxidation and addition of water. The gypsum can be sold to the building industry for making plasterboard.

Although environmentalists support the CEGB's desulphurisation programme, they are concerned that it has abandoned a commitment made in October 1987 to use "a balanced approach with a mix of limestone-gypsum and regenerative technology." The CEGB now says that it cannot commit its privatised successors, National Power and PowerGen, to any particular approach. Environmentalists believe that a reliance on limestone-gypsum would extend intrusive limestone quarrying.

The regenerative process is environmentally more attractive because it recycles the limestone. Its capital cost is about 20 per cent higher than limestone-gypsum but the by-products, sulphur or sulphuric acid, are potentially more valuable. The most successful regenerative method, developed in the US by Davy McKie, is being employed at 40 power stations world-wide.

Unfortunately the greenhouse problem cannot be solved by removing carbon dioxide from flue gases. While sulphur dioxide is an impurity making up a few per cent of the gases, carbon dioxide is the main combustion product of coal.

Speculative studies of "flue gas decarbonisation" at Brookhaven National Laboratory in the US suggest that carbon dioxide could be absorbed from the emissions by an organic solvent. The carbon dioxide would then be driven out of the solvent by low pressure steam, liquefied and pumped deep into the oceans. Below 3,000 metres the carbon dioxide would remain a liquid denser than sea water.

But the removal of 90 per cent of the carbon dioxide by this process would reduce the electrical output of a coal-fired power station by 17 per cent. Its capital and running costs would probably double. And the ecological effects of dumping a large pool of liquid carbon dioxide over the ocean floor are unknown. It may never be viable to introduce flue gas decarbonisation.

So any industrial effort to reduce the impact of carbon dioxide on global warming must concentrate on reducing the consumption of fossil fuels.

Looking ahead 20 years, there is only limited scope for replacing fossil fuels by nuclear energy and renewable sources (sun, wind, waves and tides) which do not contribute to the greenhouse effect. Using energy more efficiently is a much more promising route.

The electricity supply industry is responsible for 37 per cent of UK carbon dioxide emissions, a figure which could be significantly reduced by increasing power station efficiency. Even the best conventional power stations convert only 37 per cent of the energy in coal to electricity. But advanced coal-burning technologies could raise the percentage well above 40 per cent — and simultaneously solve the acid rain problem.

One of the most promising approaches is pressurised fluidised bed combustion (PFBC). The crushed coal burns in a bed of powdered limestone (which absorbs sulphur dioxide as it is emitted). An upward flow of air keeps the bed in constant motion, bubbling like a boiling kettle, and the whole vessel operates at five to 20 times atmospheric pressure. The first three commercial PFBC plants, designed by ABB, the Swedish-Swiss engineering group, are under construction in Sweden, Spain and the US.

In an alternative approach, known as integrated gasification combined cycle (IGCC), the coal first reacts with steam and oxygen to produce a raw fuel gas. This is cleaned chemically to remove pollutants before firing in a gas turbine to generate electricity. The hot exhaust then produces steam to power a second turbine. A number of demonstration plants are working in the US.

British Coal has developed a successful experimental PFBC plant at Grimethorpe in South Yorkshire and now wants to test a new "topping cycle", based on a combined PFBC and IGCC system. It says that this would emit 20 per cent less carbon dioxide and cost 25 per cent less to build than a conventional coal-fired station. But the new Grimethorpe programme cannot proceed without a £10m contribution from the UK Department of Energy — a decision is due this month.

"Clean coal" technologies work best in the 200 to 400 MW range — far smaller than the 1,880 MW power stations favoured by the CEGB, but the most popular size world-wide. However, privatisation of the UK electricity supply industry is likely to spell the end of large coal-fired power stations with their high capital costs and long lead times.

Another trend which will help to reduce the greenhouse effect is the burning of natural gas in power stations instead of coal. (Coal emits twice as much carbon dioxide per therm of energy as gas and 50 per cent more than oil.) The latest combined cycle gas turbine plants, such as General Electric's Stag plants at Futsu, Japan, are 42 per cent efficient.

British Gas has told the Commons Energy Committee hearings on the greenhouse effect that gas turbine plants will eventually reach 50 per cent efficiency.

However, even though supplies of natural gas are plentiful and competitively priced, "utilities are still extremely nervous about burning gas for power generation," says Michael Gluckman, of the Electric Power Research Institute in California. "Experience has shown that when the industry begins to rely on natural gas, its price goes up rapidly and the government stops it being burnt in power stations."

Walt Patterson, a UK-based energy consultant, says that in Europe too there is a reluctance to use a premium fuel such as gas to generate electricity. "It should be burnt directly for space heating."

Last summer in Toronto, an international conference on the changing atmosphere recommended a 20 per cent reduction in global carbon dioxide emissions by 2005. Allowing for economic growth and increasing use of fossil fuels in developing countries, this would require a cut of more than 20 per cent in industrialised countries.

The CEGB believes that such a cut would be incompatible with economic growth and require "Draconian" government measures to enforce it. On the other hand, the environmental pressure group Friends of the Earth insists that if there were a serious conservation effort, for example making use of waste heat from power stations for district heating, 20 per cent would be "an easily achievable target."

The first article in the series appeared on Monday.

Toilet with a brain breaks down British reserve

It was an Englishman who invented the water-closet, but the French have led the way in putting new technology into the toilet.

The "toilet with a brain", known in the UK as the automatic public convenience (APC), is the inspiration of Jean-Claude Decaux, a street furniture designer. He thought the Paris pissoirs were a civic disgrace, developed an alternative and now his APCs are becoming convenient throughout Europe.

There are 800 APCs, known as sanisettes, in Paris and now the UK market is starting to take off. The Decaux company's London subsidiary, Street Equipment, is set to report its first profit in the year ending March 31. More than 300 APCs have been installed throughout the country and 100 more are on order.

And it is in the UK that two important refinements of the product have just been perfected: an automatic fault reporting system and a method of collecting data from the closets that produces reports in English instead of in code.

APCs are portable, vandal-proof concrete boxes the size of two telephone kiosks. They are finding favour with local authorities because they are maintained daily by the supplier and they clean and disinfect themselves.

Each one is fitted with a transmitter and computer, made by the German company Schleicher, which are hidden away in its "technical area". Only the daily technicians, with infrared passkeys, have access.

The computer monitors all 32 working parts of the APC, from its water supply to its piped music installation (to combat claustrophobia). If, for example, the paper in the "public area" runs out, then the computer sends a message — via a modem and telephone line — to the master station. The electronic message system, called Micrologue, has been custom-built by Street Equipment and Dynamic Logic, based in Bracknell.

All APCs in the UK feed information to the master station at Shepherd's Bush, which logs it and if necessary acts upon it. Its printouts include information such as which lavatories need more paper or have a technical problem.

The company's service pledge is that no fault will go unattended for more than 48 hours. Meanwhile, the APC protects the public by locking them out until the defect is remedied.

From next year, all the UK cubicles will be modified so that the modems send the master station messages which can be printed out in words, not code. This will mean that non-technicians can read and understand the hard copy, and that reports for the local authorities can be printed out straight from the master station.

But has the public found them as convenient as local authorities? Parisians welcomed them as a sanitised alternative to their pissoirs, but the British have taken rather longer to alter a rather Luddite view expressed in a 1983 survey carried out by Street Equipment.

The consensus then was that they were too antiseptic and mechanised. It was feared that advanced computer technology would get in the way of a very private function.

Elsewhere in Europe, where a total of 2,000 APCs are installed, they are proving popular in Hamburg, Oporto and Barcelona. Generally local authorities rent them, grateful to be rid of the financial burden of maintaining and restoring public conveniences.

Rachel Johnson

Malaysia worried at pace of tin price upsurge

By Wong Sulong in Kuala Lumpur

THE KUALA Lumpur tin price yesterday staged the biggest rise in five years to reach the highest level since the October 1985 market collapse. At 23.71 ringgits a kilogram (£4,980 a tonne) the price was 72 Malaysian cents up on the day.

Dr Lim Keng Yaik, the Malaysian Primary Industries Minister, expressed concern over the sharp increase. "The price is going up too fast, and the market is not stable. There could be speculative interest responsible in the rise," he said.

"European and Japanese buyers were scrambling for supply and the underlying tone is extremely strong," said an official of the Kuala Lumpur Tin Market.

He said this was reflected at the start of trading when the opening price of 22.99 ringgit attracted buyers bidding for 915 tonnes and sellers willing to offer only 68 tonnes.

The price was raised progressively by 5 cents at each call, and even at 23.55 ringgit, there was a yawning gap, with buyers bidding for 202 tonnes and sellers offering only 110 tonnes.

Finally, at 23.71 ringgit, the bids were matched at 102 tonnes, 8 tonnes lower than Tuesday's turnover.

Traders said they expected a minor correction during the week, but added that the smaller turnover and strong buying demand indicated that prices could go up further in the coming weeks.

Since the start of the year, tin prices have risen by about 4 ringgit a kilogram, or 20 per cent, and the price upsurge has caught traders and miners by surprise.

Malaysian officials are worried that tin producing countries might be tempted to increase production above their agreed quotas, jeopardising a promising but fragile recovery in the industry.

They point out that there is still an overhang of some 38,000 tonnes in the market, and the Association of Tin Producing Countries is aiming to reduce this to 30,000 tonnes by the end of its third supply rationalisation scheme in February next year.

The ATPC is projecting an average tin price of between 22 and 24 ringgit this year.

"I don't think we will see prices below 22 ringgit again this year," said one malaysian miner.

At current prices, the tin industry, described as a "sunset industry" not that long ago, is becoming lucrative once again. Even Malaysian miners, who are high-cost producers because of the low grade of their remaining deposits, will find current prices attractive. Their production costs average about 15 ringgit a kilogram.

Production costs in Indonesia are about 20 per cent lower, while those in Brazil, a non-ATPC member and rivalling Malaysia as the leading producer, is only about 10 ringgit a kilogram.

A PROPOSAL for an out-of-court settlement of legal actions faced by International Tin Council members is to be presented to governments belonging to the council, delegates said after two days of meetings in London, reports Reuter.

A working group consisting of a small number of delegates put a proposal to an informal committee of council members set up to explore the possibility of a settlement. The proposal was amended by the committee and will now be conveyed to national capitals.

Banks and brokers have substantial claims against the council and its members resulting from the collapse of its buffer stock operations in October 1985.

Chinese puzzle over agricultural reform

Colina MacDougall on farming problems in a country with 40m underfed people

FOR THE first time ever, Peking officials are discussing major agricultural joint ventures in China with the Soviet Union. Xiang Chongyang, Vice-Minister of Agriculture, said Moscow was insisting on investment in China rather than sticking to the usual formula of barter trade.

Projects might include a coffee plantation in the southern island province of Hainan, soyabeans in the north-east, plus chicken rearing, fish processing and the repair of Soviet fishing vessels.

The proposals aim to utilise China's low-cost labour and resources along with Soviet funds and technology.

This is a sign of Peking's rapidly thawing relationship with Moscow in the run-up to the Sino-Soviet Summit in May; but it also points up China's urgent need for investment in its farming sector. Over the past year the country has had severe problems with falling grain and cotton production, as well as wild fluctuations in the supply of meat because of the rising cost of feedstuffs.

While Soviet investment will be small relative to China's size, every little helps in what is an increasingly dire situation.

More than 40m people do not have enough to eat, Zhang Zhongji of the State Statistics Bureau said last week. The grain harvest last year only just topped 394m tonnes, compared with a target of 400m and a need for 410 m. A further 10m tonnes were imported and another 10m drawn from stocks.

Prices paid to farmers have not kept up with the cost of living

Compared with 1987 grain output was down by 2.2 per cent; cotton, at 4.2m tonnes, by more than 1 per cent; oilseeds, at 13.2m tonnes, by nearly 14 per cent; and rapeseed, at 5m tonnes, by a staggering 24 per cent.

Tobacco, sugar, silk and meat output were all up, but these are not staples, and sugar output still falls far short of domestic demand despite substantial rises.

China is likely to replace the Soviet Union as the world's biggest grain importer this year because of shortages, Li Guofeng, general manager of the import division of the China National Cereals, Oils and Foodstuffs Import and Export Corporation said last month.

The grain target for 1989 is 410m tonnes, which would exceed the 1984 peak of 407m tonnes, but there is no real expectation of hitting that. Although acreage sown to grain is up and rain falling in January broke a prolonged drought, severe problems remain.

These stem from the way China's rural reforms were handled. Initially, when the leadership disbanded the communes and allowed peasants more freedom to choose which crops to grow, output soared. But when, at the end of 1984, the earlier obligation to grow a percentage of grain was altered to a contract system, many farmers decided to switch into more profitable crops.

At the same time, the dissolution of the communes meant there was no-one left to plan or invest in public works like irrigation and drainage. Nor did anyone add up the totals of grain fed to the much larger number of farm animals for meat or used to make spirits, which in China's more consumer-oriented society are now considerable.

On top of that, cultivated land has been swallowed up at an alarming rate by building and erosion, and the Agriculture Ministry says that almost 20 per cent of grain harvested is lost in threshing and transport.

Prices paid to the farmer have not kept up with the cost of living or the cost of inputs like fertiliser, plastic sheeting (used for crop protection), diesel and pesticide. Last year the Central Government made a particularly foolish error when, instead of paying farmers in cash, it gave them IOUs. Peking was anxious to hold down cash in circulation at a point when inflation was leaping upwards, but the farmers were enraged and disappointed.

Peking is desperately trying to rectify the situation by upping investment by yuan 400m (£62m), plus establishing a new Foundation for Agricultural Development, which will receive a 1 per cent levy from state construction and other investment. These sums will go in the first place to raising the price paid by the state to farmers by 18 per cent.

Cotton, which has never recovered its 1984 peak of 6.3 m tonnes, will also benefit from higher prices. Currently it remains an unpopular crop since, unlike grain, there is no free market in it. But Chen Junshen, member of China's ruling State Council, predicted last week that acreage would fall again this year and noted that raising cotton prices was highly complex. Clearly expecting supply problems, he volunteered that enterprises making textile goods for export would be allowed to import raw cotton.

However, farm raw materials are likely to be in short supply. Only 92.5m tonnes of fertiliser will be available, the Economic Daily says, just 83 per cent of the total requirement, while in 12 major grain-growing provinces a shortfall of 13.4 m tonnes is likely.

Inadequate domestic production and a lack of foreign exchange for imports are to blame. Supplies of pesticides, diesel, high-quality seed and plastic sheeting will also be short, by between a quarter and a half of current supplies.

All in all, China has good reason to be anxious about its farming sector.

Crisis talks on Peruvian mines

By Veronica Baruffati in Lima

THE PERUVIAN Government is considering the possibility of declaring a state of emergency the mining industry in an attempt to revive production in the troubled state mining sector.

Three ministers, including Mr Carlos Raffo, making his debut as the Minister of Industry, met at the Finance Ministry earlier this week to discuss how to reactivate the state mining industry.

"At present, 60 per cent of our installed capacity is practically paralysed and 30 per cent of medium-sized private mining companies are in the same situation," said Mr Roger Arevalo, president of the Banco Minero.

Declaration of a state of emergency could result in the mining industry qualifying for funds and special facilities to import equipment.

With an investment of $600m, high world prices could ensure Peru's state mining sector $200m a year in export earnings, according to Mr Arevalo.

Mr Pedro Coronado, president of the Central Bank, who was also present at the meeting, said he would study the request made to the bank for $100m to help increase production in the state sector.

The proposal for a state of emergency declaration will be presented at the weekly Council of Ministers meeting today.

The Peruvian mining industry suffered a big blow last year with two long miners' strikes costing the country over $400m in lost export earnings. Many mines have not recovered completely from the three months of strikes.

The miners' federation has called for a three-day strike from March 27 to protest at the Government's failure to abide by the agreement signed at the end of the last strike in December.

Miners' leaders have not ruled out the possibility of calling for another general strike if their demands are not met at the end of March.

COPPER prices surged to record levels in morning trading on the LME yesterday before retreating in the afternoon as profit-taking emerged following erratic movements on Comex, writes our commodities staff.

Cash metal hit £2,008 a tonne in the morning but closed at £1,977.50. Three-month copper closed £3 ahead at a record £1,872.50. Many analysts remain bullish, partly on fears of another Peruvian miners' strike while supplies are tight.

Zinc prices were also affected, with the three months position reaching a record level in after-hours trading.

Jute pact members seek fresh trade strategies

JUTE PRODUCERS and importers from around the world began crucial talks here yesterday seeking to extend the life of the International Jute Organisation, set to expire in 1991, reports Reuter from Dhaka.

The meeting is expected to adopt new strategies to boost the $1bn-a-year world jute trade, which is facing strong challenges from various cheaper and lighter synthetics fibres.

A 1982 accord creating the organisation has already been extended twice, delegates noted.

"Reaching a new agreement is vital to saving the IJO and boosting the jute trade," one official said.

Opening the eight-day meeting of the 32-member organisation's governing body, the International Jute Council, Bangladesh's President Hossain Mohammad Ershad called for the "strengthening the world jute economy through research and market promotion."

"The growing threat to jute by synthetics is of great concern to us and to 100m people around the world who are related to jute cultivation, trade and industry," he declared.

The meeting is expected to appoint a successor to Mr Harbans Singh of India, the executive director, whose term of office expires in January.

The organisation is comprised of five producing countries – Bangladesh, China, India, Nepal and Thailand – and 26 importing nations plus the European Community.

Mr Singh said the organisation, based here in the Bangladeshi capital, depended on voluntary financial contributions and was facing an acute shortage of funds, delaying implementation of quality control and market promotion.

"Jute has lost its traditional markets, more particularly in the developed countries which have switched over to bulk handling and packaging in synthetics," the executive director said.

EC gives 1992 promise on banana market

By David Buchan in Brussels

THE EUROPEAN Commission has promised to try to prevent Caribbean and African banana producers being forced out of the liberalised EC market after 1992 by the more competitive central American plantations.

Mr Manuel Marin, the EC development commissioner, also told two Caribbean premiers – Mrs Eugenia Charles of Dominica and Mr John Compton of St Lucia – in Brussels this week that the Commission attached importance to the banana protocol in its Lomé Convention with 66 African, Caribbean and Pacific countries.

Under this, the Lomé treaty which is being renegotiated this year, must not leave ACP banana growers any worse off than the present convention.

The Commission, however, appears to have no idea of how it can help its traditional suppliers while remaining loyal to the trade barrier-breaking ideology of 1992.

High sowings put UK on course for record harvest

By Bridget Bloom, Agriculture Correspondent

WINTER WHEAT plantings in Britain were up by more than 20 per cent by last December, holding out the prospect of record cereal crops in this year's harvest.

According to the latest agricultural census, 1.868m hectares of wheat had been planted by December 1 last year, compared with 1.542m ha in 1987 and 1.940m ha by December 1 1984, following which Britain achieved a record 26.6m-tonne cereal harvest.

Although a great deal could happen to the crop between now and harvest, the mild weather so far this year could well encourage higher spring planting of wheat and especially barley.

Whereas over 90 per cent of the country's wheat is planted in the autumn, about half the barley crop is spring sown. Autumn sown barley was 6 per cent up on the level at December 1 last year.

The high level of autumn planting occured despite the availability of the set-aside scheme which aims to take cereal land out of production across the European Community.

Take-up for the scheme has been low, with just under 60,000 ha being registered for set-aside in Britain.

Since high levels of autumn planting of cereals are also reported from France and Germany large EC cereal crops seem a strong possibility. The so-called budget stabiliser for cereals, involving a three per cent cut in the intervention price, would be triggered if the EC crop went above 165m tonnes.

● The British Ministry of Agriculture is expected to publish a report next week which will show that the level of pesticide residues in a number of UK foodstuffs is rising.

According to the Grain and Feed Trade Association, the report highlights the position of those cereal products where residues appear to be more highly concentrated – especially bran and wholemeal flour.

Price stalemate at EC farm council

THE EC Farm Council meeting ended in Brussels yesterday with no agreement on the Commission's proposals for agricultural prices and other aspects of the farm support system for 1989-90, writes David Blackwell. The three-day meeting featured extensive discussions on the Commission's call for a price freeze on most products. Britain emerged as the sole supporter. The next council meeting is scheduled for March 20 and 21.

WORLD COMMODITIES PRICES

LONDON MARKETS

NICKEL prices breached the $8 a lb support level on the LME yesterday as continued merchant selling triggered stop-loss selling orders. Three month metal closed down $500 at $17,375 a tonne, or $7.88 a lb. Dealers said the trend reflected a lack of fresh consumer enquiry for the second quarter. On the bullion market gold closed below the day's highs as prices came under pressure from a firmer dollar and weaker platinum. Meanwhile cocoa prices advanced, following the firm trend in New York, where trade buying emerged. The afternoon rise appeared to surprise some operators, who were forced to cover, dealers said. Coffee prices lost most of the gains made on Tuesday, when the market became overbought. However, short-term fundamentals remain constructive, with nearby availability tight and tendering against the spot month running at a low level.

SPOT MARKETS

Crude oil (per barrel FOB)		+ or -
Dubai	$14.90-5.00q	
Brent Blend	$17.90-8.10	-.075
W.T.I. (1 pm est)	$18.47-8.52q	-0.13
Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$190-192	+1
Gas Oil	$144-145	-0.5
Heavy Fuel Oil	$77-79	
Naphtha	$162-164	
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♣	$394.75	+3.50
Silver (per troy oz)♣	590c	+2
Platinum (per troy oz)	$546.6	+0.5
Palladium (per troy oz)	$145.0	+0.1
Aluminium (free market)	$2275	+20
Copper (US Producer)	158⅝-162c	
Lead (US Producer)	37.5c	
Nickel (free market)	825c	-20
Tin (European free market)	£5040	
Tin (Kuala Lumpur market)	23.71r	+0.72
Tin (New York)	408.5c	+21.0
Zinc (US Prime Western)	85⅛c	
Cattle (live weight)†	108.33p	-0.11*
Sheep (dead weight)†	167.58p	+9.43*
Pigs (live weight)†	83.39p	+2.23*
London daily sugar (raw)	$278.8u	-5.2
London daily sugar (white)	$313u	
Tate and Lyle export price	£272.5	-3.0
Barley (English feed)	£116.0	+0.5
Maize (US No. 3 yellow)	£131.0	-0.5
Wheat (US Dark Northern)	£128.25v	
Rubber (spot)♥	67.75p	-1.00
Rubber (Apr) ♥	67.25p	-1.00
Rubber (May) ♥	67.75p	-1.00
Rubber (KL RSS No 1 Apr)	301m	-1
Coconut oil (Philippines)§	$545u	
Palm Oil (Malaysian)§	$405	+5
Copra (Philippines)§	$350	
Soyabeans (US)	$199.5	-2.0
Cotton "A" index	63.95c	+0.25
Wooltops (64s Super)	645p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. v-Apr/May. u-Mar/Apr. q-Apr. x-Feb/Mar w-Apr/Jun. †Meat Commission average fatstock prices. * change from a week ago. ♥London physical market. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg.

COCOA £/tonne

	Close	Previous	High/Low	
Mar	850	826	853	830
May	868	843	869	845
Jul	873	852	875	864
Sep	877	858	878	862
Dec	903	891	903	895
Mar	889	873	888	879
May	886	875	884	882

Turnover:4989 (3791) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Mar 7:1083.91 (1095.24):10 day average for Mar 8:1101.02 (1107.06).

COFFEE £/tonne

	Close	Previous	High/Low	
Mar	1190	1205	1200	1186
May	1169	1188	1181	1167
Jly	1135	1156	1151	1132
Sep	1113	1132	1128	1112
Nov	1098	1107	1109	1096
Jan	1100	1110	1105	1103
Mar	1102	1110	1108	1100

Turnover:4938 (6353) lots of 5 tonnes
ICO indicator prices (US cents per pound) for Mar 7: Comp. daily 120.50 (119.72); . 15 day average 116.53 (116.40).

SUGAR ($ per tonne)

Raw	Close	Previous	High/Low	
May	266.60	253.60	266.00	252.80
Aug	267.00	256.40	266.60	255.80
Oct	265.20	253.80	264.80	253.00
Dec	262.00	253.00	250.00	
Mar	259.00	249.00	248.00	
White	**Close**	**Previous**	**High/Low**	
May	317.00	308.50	317.00	307.50
Aug	325.00	317.00	325.00	315.50
Oct	315.00	308.50	315.00	305.50
Dec	305.00	297.00		
Mar	294.00	291.00	294.00	291.00
May	292.00	288.00	294.00	292.00
Aug	292.00	290.00	292.00	

Turnover: Raw 3163 (2131)lots of 50 tonnes. White 1370 (1934).
Paris- White (FFr per tonne): May 1975, Aug 2025, Oct 1945, Dec 1930, Mar 1880, May 1870.

LONDON METAL EXCHANGE TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	May	Jul	May	Jul
2150	164	148	46	100
2250	106	102	86	151
2350	63	68	142	214
Copper (Grade A)	**Calls**		**Puts**	
3000	311	243	56	178
3200	185	157	126	284
3400	99	97	237	418

WOOL
Prices are showing no decisive trend. In markets where floor prices exist they are generally aligned with, or only a little above, the floor levels. There is however no accumulation of wool in Australia, where AWC stocks remain negligible. In New Zealand the accumulation is not considered to represent any long-term imbalance. In consumer markets and the UK the emphasis is on reluctance to buy until a specific order has been received to justify it. Uncertainty at the retail end is due to lower sales and the pressure of the government's measures to reduce consumer expenditure. This spreads through the trade and with order books running down there are increasing signs of below-capacity working and short-time operation to come.

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open Interest
Aluminium, 99.7% purity ($ per tonne)						Ring turnover 14,525 tonne
Cash	2260-5	2265-70		2275-80		
3 months	2230-5	2225-8	2235/2228	2230-5	2238-40	28,687 lots
Copper, Grade A (£ per tonne)						Ring turnover 44,875 tonne
Cash	1975-80	1980-5	2010/2008	2006-8		
3 months	1872-3	1869-70	1888/1850	1888-9	1883-4	68,913 lots
Silver (US cents/fine ounce)						Ring turnover 0 ozs
Cash	583-5	584-7		585-6		
3 months	597-9	597-600		598-600		388 lots
Lead (£ per tonne)						Ring turnover 3,275 tonne
Cash	342-3	342-4		344.5-5		
3 months	351.5-2	351-2	353/351.75	352-2.25	352-3	9,184 lots
Nickel ($ per tonne)						Ring turnover 1,956 tonne
Cash	18150-250	18600-800	18450/18400	18350-400		
3 months	17350-400	17850-900	17700/17100	17600-50	17350-400	6,712 lots
Zinc, Special High Grade ($ per tonne)						Ring turnover 3,950 tonne
Cash	2070-2	2075-85	2078/2072	2078-80		
3 months	1970-5	1965-70		1978-82	1955-2005	6,685 lots
Zinc ($ per tonne)						Ring turnover 13,475 tonne
Cash	2065-70	2065-75	2075/2072	2073-5		
3 months	1937-8	1926-7	1970/1910	1943-5	1965-8	12,169 lots

POTATOES £/tonne

	Close	Previous	High/Low	
Apr	66.0	66.5	66.5	65.2
May	82.9	82.4	83.0	82.0
Nov	89.0	89.0		
Feb	100.0	100.0		
Apr	128.5	128.5	128.5	128.4

Turnover 109 (74) lots of 40 tonnes.

SOYABEAN MEAL £/tonne

	Close	Previous	High/Low	
Apr	162.50	163.50	165.50	163.00
Jun	153.00	154.00	152.50	152.00
Aug	148.50	148.50	148.00	

Turnover 148 (106) lots of 20 tonnes.

FREIGHT FUTURES $10/index point

	Close	Previous	High/Low	
Mar	1662	1646	1665	1655
Apr	1695	1689	1700	1691
Jul	1466	1470	1483	1465
Oct	1596	1600	1600	1595
Jan	1613	1607	1613	1598
Apr	1636	1633	1636	
BFI	1608	1597		

Turnover 506 (276)

GRAINS £/tonne

Wheat	Close	Previous	High/Low	
Mar	113.75	113.50	113.75	113.40
May	117.20	117.00	117.25	116.65
Jun	118.95	118.70	118.95	118.70
Sep	104.30	104.35	104.30	104.25
Nov	106.40	106.40	106.40	
Jan	109.45	109.40	109.45	109.40
Mar	112.45	112.40	112.45	112.40
Barley	**Close**	**Previous**	**High/Low**	
Mar	110.50	110.90	110.50	
May	112.40	112.70	112.50	112.40
Sep	101.25	101.10	101.25	

Turnover: Wheat 320 (336) . Barley 16 (87) .
Turnover lots of 100 tonnes.

LONDON BULLION MARKET

Gold (fine oz)	$ price	£ equivalent
Close	394½-395	229-229½
Opening	391½-392	227½-228
Morning fix	393.1	228.241
Afternoon fix	394.6	229.245
Day's high	395½-396	
Day's low	391½-392	
Coins	**$ price**	**£ equivalent**
Mapleleaf	408-411	236-239
Britannia	405-411	235-239
US Eagle	408-411	236-239
Angel	408-411	236-239
Krugerrand	393-396	228-230
New Sov.	93-94	54-54¾
Old Sov.	93-94	54-54¾
Noble Plat	549.45-559.6	319.45-324.75
Silver fix	**p/fine oz**	**US cts equiv**
Spot	342.60	589.50
3 months	354.05	604.75
6 months	365.10	620.25
12 months	385.95	651.10

CRUDE OIL $/barrel

	Close	Previous	High/Low	
Apr	16.86	17.00	16.86	16.66
May	16.36	16.45	16.34	16.20
Jun	16.05	16.20	16.04	15.95
Jul	15.80	15.93	15.82	15.81
IPE Index	16.91	16.98		

Turnover: 8463 (4046)

GAS OIL $/tonne

	Close	Previous	High/Low	
Mar	142.50	144.75	144.00	141.50
Apr	143.25	144.50	143.50	141.50
May	141.75	143.25	142.00	140.25
Jun	140.25	141.75	140.25	139.00
Jul	140.50	141.25	140.25	139.25
Aug	143.00	142.75		
Sep	144.00	144.50		
Oct	145.00	144.75	144.00	
Nov	146.00	146.00	145.00	144.00

Turnover 7090 (8244) lots of 100 tonnes

US MARKETS

IN THE METALS, a technical rally helped boost gold prices through resistance levels early in day, reports Drexel Burnham Lambert. Dealer buying was featured as prices peaked at 398.8 basis April. Local traders were featured sellers at the highs sinking prices down to the unchanged level. Silver futures rose above 600 basis May but lack of aggressive buyers forced prices lower. Platinum trading followed the gold and silver markets. Technical buying pushed copper up to new contract highs before scattered selling collapsed the market. In the softs, sugar futures were the most active as prices advanced 43 basis May. Steady trade and commission house buying kept the market strong. Short covering by locals rallied the market near the close. Cocoa gained 29 basis May on arbitrage and trade activiy. Profit taking by the trade and hedge selling weakened coffee futures. In livestock trading, Mondays out of town storage report prompted mixed reactions, but the large slaughter was considered negative for the pork belly market. Lower cash prices and light boxed beef movement has reduced packer demand for cattle.

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low	
Mar	393.1	393.3	0	0
Apr	395.4	395.7	398.8	394.3
May	397.9	398.2	0	0
Jun	400.4	400.8	404.2	399.3
Aug	406.0	406.5	409.7	405.5
Oct	411.9	412.4	414.0	413.2
Dec	417.8	418.3	422.0	417.3
Feb	423.6	424.2	425.5	425.5
Apr	429.5	430.1	0	0

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High/Low	
Mar	548.9	552.5	0	0
Apr	546.9	551.5	552.9	545.0
Jul	546.7	551.0	552.4	545.0
Oct	548.4	551.0	552.0	549.0
Jan	549.9	552.0	550.5	550.5
Apr	550.9	553.0	0	0

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low	
Mar	586.0	587.4	591.0	585.5
Apr	589.1	590.9	0	0
May	594.7	596.5	601.0	593.5
Jul	605.8	607.6	612.0	606.0
Sep	616.8	618.5	622.0	621.0
Dec	633.0	634.5	639.0	632.0
Jan	638.0	639.4	0	0
Mar	649.0	650.2	652.5	648.5
May	659.9	661.1	662.0	662.0
Jul	670.9	672.1	0	0

INDICES

REUTERS (Base: September 18 1931 = 100)

Mar 7	Mar 6	mnth ago	yr ago
1992.2	1992.7	1975.6	1721.5

DOW JONES (Base: Dec. 31 1974 = 100)

Spot	138.40	138.27	135.91	126.03
Futures	142.15	141.46	139.67	131.06

COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low	
Mar	147.20	150.10	152.00	146.50
Apr	142.80	145.80	0	0
May	140.40	144.00	146.00	140.00
Jul	133.40	137.60	138.50	133.00
Sep	127.20	130.80	131.50	127.50
Dec	121.70	125.50	126.00	124.00

CRUDE OIL (Light) 42,000 US galls $/barrel

	Latest	Previous	High/Low	
Apr	18.40	18.30	18.60	18.16
May	17.95	17.79	18.10	17.69
Jun	17.66	17.44	17.76	17.36
Jul	17.40	17.18	17.50	17.10
Sep	17.12	16.81	17.12	16.90
Oct	17.01	16.66	17.03	16.77
Nov	16.88	16.59	16.88	16.88
Dec	16.95	16.53	17.00	16.60

HEATING OIL 42,000 US galls, cents/US galls

	Latest	Previous	High/Low	
Apr	5100	5108	5150	5056
May	4865	4868	4910	4825
Jul	4680	4613	4685	4605
Oct	4780	4775	4790	4775
Nov	4840	4840	4840	4840
Dec	4910	4905	4910	4910

COCOA 10 tonnes;$/tonnes

	Close	Previous	High/Low	
Mar	1559	1530	1564	1560
May	1449	1420	1462	1426
Jul	1415	1391	1429	1398
Sep	1410	1388	1416	1400
Dec	1410	1391	1418	1400
Mar	1396	1380	1396	1386
May	1396	1385	1400	1392
Jul	1415	1391	1429	1398

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low	
Mar	132.00	133.25	133.25	130.05
May	129.74	131.52	130.50	128.20
Jul	125.06	127.13	126.40	124.25
Sep	121.60	124.00	123.10	121.00
Dec	119.10	121.22	120.75	118.50
Mar	118.25	120.40	119.00	119.00
May	118.50	120.85	0	0
Jul	118.50	120.60	0	0

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low	
May	11.75	11.32	11.79	11.36
Jul	11.80	11.44	11.80	11.48
Oct	11.78	11.34	11.80	11.36
Jan	11.34	10.90	0	0
Mar	11.41	11.06	11.42	11.11
May	11.33	11.00	11.34	11.30
Jul	11.25	10.92	11.00	11.00

COTTON 50,000; cents/lbs

	Close	Previous	High/Low	
Mar	58.65	58.44	58.77	58.35
May	60.55	60.27	60.55	60.05
Jul	61.48	61.18	61.48	61.05
Oct	62.05	61.68	62.05	61.60
Dec	62.17	61.76	62.20	61.66
Mar	62.25	62.00	62.25	62.10
May	62.50	62.50	62.50	62.50

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low	
Mar	140.95	140.60	141.00	140.20
May	141.65	141.85	141.80	141.00
Jul	140.95	140.85	141.00	140.50
Sep	140.55	140.45	140.00	139.70
Nov	138.15	138.70	0	0
Jan	135.75	138.45	135.50	135.50
Mar	134.75	135.25	0	0
May	134.75	135.25	0	0
Jul	134.75	135.25	0	0

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
Mar	755/4	764/2	764/4	762/0
May	768/4	777/0	777/0	764/0
Jul	775/2	785/4	786/0	773/0
Aug	771/2	782/0	780/0	770/0
Sep	751/2	757/0	758/0	750/0
Nov	737/4	742/4	743/0	736/0
Jan	745/0	750/0	750/0	745/0
Mar	752/0	757/0	0	0

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low	
Mar	22.81	22.80	22.92	22.74
May	23.29	23.31	23.44	23.23
Jul	23.87	23.89	24.03	23.81
Aug	24.09	24.10	24.25	24.09
Sep	24.37	24.32	24.45	24.25
Oct	24.47	24.47	24.55	24.35
Dec	24.66	24.65	24.80	24.65
Jan	24.70	24.65	24.75	24.70

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low	
Mar	239.3	243.5	243.0	239.0
May	237.0	240.4	240.2	236.7
Jul	235.1	238.1	238.5	235.0
Aug	233.0	236.0	237.0	233.0
Sep	229.0	231.2	232.0	229.0
Oct	224.0	226.0	226.0	225.5
Dec	222.7	224.7	224.5	222.5
Jan	221.5	223.5	221.0	222.0

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low	
Mar	275/4	278/2	277/4	274/6
May	279/6	282/4	282/0	279/0
Jul	283/0	285/4	285/2	282/4
Sep	274/4	276/6	277/4	274/4
Dec	271/4	272/2	273/6	270/6
Mar	278/2	279/2	280/0	277/6
May	280/4	281/4	282/4	280/4

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low	
Mar	430/0	434/0	434/0	429/4
May	432/6	435/4	436/6	432/0
Jul	408/0	409/6	411/2	408/0
Sep	415/6	417/4	418/2	415/4
Dec	427/0	429/4	429/2	424/4
Mar	431/0	432/4	0	0

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low	
Apr	77.12	77.57	77.80	77.07
Jun	74.05	74.60	74.80	74.00
Aug	71.97	72.40	72.65	71.92
Sep	71.30	71.60	0	71.30
Oct	71.27	71.67	77.80	71.25
Dec	72.50	72.80	72.80	72.40
Feb	72.50	72.75	72.80	72.45

LIVE HOGS 30,000 lb; cents/lbs

	Close	Previous	High/Low	
Apr	44.10	44.10	44.40	43.85
Jun	48.72	48.87	49.20	48.57
Jul	48.87	49.07	49.22	48.70
Aug	47.70	47.80	48.10	47.65
Oct	44.50	44.45	44.50	44.32
Dec	45.55	45.47	45.75	45.40
Feb	45.60	45.67	45.80	45.50
Apr	44.55	44.50	44.75	44.40

PORK BELLIES 40,000 lbs; cents/lb

	Latest	Previous	High/Low	
Mar	38.80	39.10	39.35	38.30
May	38.70	39.07	39.50	38.27
Aug	37.65	37.70	38.30	37.62

LONDON STOCK EXCHANGE

Equities unable to hold early gains

AN EVENTFUL, if finally undramatic, trading session saw UK equities continuing to hold steady as the City of London awaited Tuesday's Budget Speech from Mr Nigel Lawson, the Chancellor of the Exchequer. Strong hints that this morning will bring a bid or management buyout in the building sector brightened equities at the close, but the main event was the surprise announcement that Mr Alan Bond, the Australian entrepreneur, is putting his 19.8 per cent stake in Lonrho up for sale at a price considered unlikely to attract buyers.

Equities opened higher, with the FT-SE moving up to 2092.1 within the first hour of Seaq trading. Traders were wary of the early gains, however, commenting that the major market makers appeared to move their quotations up almost in unison despite slender buying interest, and an uninspiring performance from Wall Street overnight.

Account Dealing Dates		
*First Dealings: Feb 27	Mar 13	Apr 3
Option Declarations: Mar 9	Mar 30	Apr 13
Last Dealings: Mar 10	Mar 31	Apr 14
Account Day: Mar 20	Apr 10	Apr 24

*New time dealings may take place from 9.00 am two business days earlier

Early gains were soon trimmed, but a £100m trading programme, reportedly involving switching from Alpha to Beta stocks by a major UK securities house, kept the market firm for a while. Good trading reports from BICC and GKN, two leading UK manufacturing groups, also helped equities, and a further small trading programme was reported.

The advance could not be sustained, however, and share prices turned off as the implications of the sale of the Bond stake in Lonrho were absorbed by the market.

Equities were on the down side for the rest of the session, until the hints of an impending buyout in the building sector steadied prices at the end of the day.

The final reading on the FT-SE Index, at 2083.3, showed a loss of only 0.2 on the day. Market indices were held back by weakness in pharmaceutical stocks, where Fisons, Wellcome and Glaxo all closed sharply off. Seaq volume was relatively high, at 544.6m shares, against Tuesday's 583m.

Equities, described as, "very overbought" by some analysts, must now await next week's Budget Speech. There is also some nervousness ahead of tomorrow's announcement of the latest US employment data, and any consequent effect on Federal credit policy.

Mr Bond's decision to sell his Lonrho stake was well-received at first, with the market hoping that the sale might herald a major bid contest.

However, second thoughts prompted suggestions that the Bond stake might not find buyers at the stipulated price of 385p, or a total £370m.

This cast a cloud over the Lonrho share price, and thus raised questions over the possible losses in store for the many speculators in the London market who followed the Bond interests into Lonrho when the shares rose sharply last year.

FINANCIAL TIMES STOCK INDICES

	Mar. 8	Mar. 7	Mar. 6	Mar. 3	Mar. 2	Year Ago	1988/89 High	1988/89 Low	Since Compilation High	Since Compilation Low
Government Secs	88.57	88.84	88.67	88.39	87.98	90.88	91.43 (18/4/88)	86.18 (14/12/88)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	99.30	99.12	98.97	98.94	98.75	97.11	99.30 (8/3/89)	94.14 (9/1/88)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary	1724.4	1715.6	1706.4	1697.5	1679.7	1460.1	1724.4 (8/3/89)	1349.0 (8/2/88)	1926.2 (16/7/87)	49.4 (26/6/40)
Gold Mines	180.3	174.7	173.5	171.9	170.3	248.0	312.5 (7/1/88)	154.7 (17/2/89)	734.7 (15/2/83)	43.5 (26/10/71)

	Mar. 8	Mar. 7	Mar. 6	Mar. 3	Mar. 2	Year Ago
Ord. Dl. Yield	4.40	4.37	4.39	4.42	4.46	4.41
Earning Yld %(full)	10.75	10.70	10.76	10.81	10.91	11.27
P/E Ratio(Net)(☆)	11.24	11.31	11.25	11.19	11.09	10.83
SEAQ Bargains(5pm)	32,095	38,423	34,268	33,441	27,421	27,897
Equity Turnover(£m)†	-	1358.94	1073.87	1442.38	1099.02	1361.37
Equity Bargains†	-	40,344	37,459	37,178	28,690	32,280
Shares Traded (ml)†	-	603.2	492.2	586.3	441.8	448.1

Ordinary Share Index, Hourly changes

● Opening	● 10 a.m.	● 11 a.m.	● 12 p.m.	● 1 p.m.	● 2 p.m.	● 3 p.m.	● 4 p.m.
1720.5	1726.4	1724.2	1727.5	1724.7	1724.3	1722.2	1721.1

DAY'S HIGH 1728.4 DAY'S LOW 1720.6

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold Mines 12/9/55, SE Activity 1974. ☆Nil 11.17 †Excluding intra-market business.

● S.E. ACTIVITY

Indices	Mar.7	Mar.6
Gilt Edged Bargains	134.0	110.6
Equity Bargains	281.4	242.7
Equity Value	2746.8	2170.6
5-Day average		
Gilt Edged Bargains	124.1	122.0
Equity Bargains	224.3	205.3
Equity Value	2483.4	2289.8

● London Report and latest Share Index: Tel. 0898 123001

Lonrho may free its Bonds

March was always the favourite choice for the grand finale of the Lonrho/Bond Corporation saga, but even the most ardent followers of the situation were stunned by yesterday's episode which may, or may not, end one of the market's most colourful long-running serials. Bond Corporation and Bell Resources are putting the their entire holding of 96m Lonrho shares up for tender at a minimum price of 385p per share.

Lonrho shares began moving higher from the opening amid speculation that Sir James Goldsmith could really celebrate his return to the market with an audacious bid for the UK trading conglomerate. Immediately after the Bond news some traders seemed to lose reason and during one mad moment a buyer paid as much as 367p for stock.

Sanity returned when analysts began to search behind the official wording of the announcement for an explanation for the sale. One said: "This is a bizarre statement;" another continued: "Mr Alan Bond's only hope is to find another potential predator and I doubt that he can." Most believed it to be a distress sale forced by the rising costs of financing the holding.

Mr Robert Sassoon of County NatWest WoodMac values Lonrho's net assets at £5 per share. He and several other researchers have issued "trading buy" recommendations at around the 350p level but they pointed out yesterday that the failure of Bond to sell the stake could change this assessment. Activity in Lonrho shares receded throughout the afternoon and the close was only 7 up on the day at 345p after volume of 11m shares.

Superb figures

GKN bowled the market over with a full-year profits jump of 21 per cent to almost £178m. The shares put on 15 in rapid trading but shaded in the afternoon to close 12 higher on the day at 392p. Turnover of 6.7m was boosted by the knowledge that the stock goes ex-dividend on Monday.

"A superb set of results," said Mr John Goldschmidt, analyst at Charterhouse Tilney. "The performance of industrial services division was unheralded and will continue to grow at well above the average market rate." He raised his calendar 1989 pre-tax profits forecast from £182m to £203m, and expects a 10 per cent rise in the share price over the next few weeks. "It is selling on eight times 1989's earnings, which is a 20% discount to the rest of the engineering sector, *and the yield is way above average.*"

Mr Keith Williams at BZW was only marginally more cautious. He raised his forecast from £185m to £200m, but said that earnings per share for the current year would grow in line with the market. He pointed out that more than 7m new shares were issued for the Tokyo listing in December and that more would be issued because, among other things, the company offers shares in lieu of cash as dividend payment. "Buy on weakness" is his recommendation.

BICC also pleases

BICC were easily the best performer in the electricals sector with the shares racing ahead to close 32 higher at 492p, after a turnover of 2.5m, following preliminary results showing pre-tax profits of £156m, well ahead of the most optimistic forecasts of around £149m.

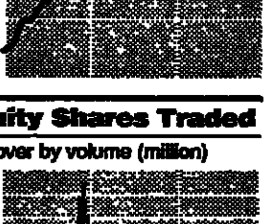
Traders continue to highlight the probable benefits from the Channel Tunnel, especially the newly proposed underground route out of London. Analysts were said to have been impressed with the post-results meeting, and Citicorp Scrimgeour Vickers are extremely bullish on BICC; the securities house said yesterday's results "put the cream on the cake," and upped their profits forecast for the current year to £183m from £174m.

For next year Citicorp is going for £205m. Ms Judy Stewart at Citicorp puts the asset value of BICC's quoted subsidiaries, land assets and other businesses at 590p a share.

Agency stocks were undoubtedly the brighest area of the market as events in Boase Massimi Pollitt (BMP) came to head. BDDP, a private European communications company, wishes to dicuss a merger and is contemplating an offer of around 300p for each BMP share.

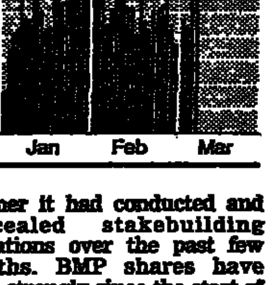
BMP chairman, Mr Martin Boase, described the approach as "Napoleonic" and criticised the Paris-based BDDP for the manner it had conducted and concealed stakebuilding operations over the past few months. BMP shares have risen strongly since the start of the year from 190p to 306p yesterday, up 20 more on the day.

FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million)



The latest stocks figures issued by the American Petroleum Institute – indicating a build up of energy stocks in the US – upset the crude oil market and triggered a general sell-off in the recently buoyant oil and gas issues.

The biggest turnover was seen in the two classes of BP stock which continued top attract buying interest from two top UK securities houses which have highlighted the company's high gearing to crude oil prices. But there was also sizeable selling of the BP issues which subsequently ended the day with falls of around 23 apiece, the "old" at 274½p and the "new" at 169½p.

Shell attracted small profit-taking, closing 3 off at 396p on 2.3m. Ultramar's figures were described as "uninspiring" by one dealer and the shares were left a couple of pence off at 303p.

Burmah continued to respond to the recent "buy" recommendation issued by James Capel;the shares closed 11 up at 563p.

Grand Metropolitan rose 2 to 546p on turnover of 2.7m *shares after announcing* the disposal of its US restaurant chain for $431m and the acquisition of Greece's Metaxa distillery and a 30 per cent stake in the makers of Ouzo.

Wickes, do-it-yourself and building supplies retailing group, pleased the market with a 144 per cent jump in annual profits to £16.3m, and the shares closed 4 firmer at 263p.

The building sector was again alive with stories of imminent bid developments but, according to dealers, was looking tired as the session wore. AMEC were one of the so-called "bid targets" and raced up to 463p on talk of an offer from French group Bouygues, but later slipped back to close a net 3 higher at 453p.

Other candidates, so the stories in the market suggested, were Costain, which raced up to 354p before closing a net 10 firmer at 349p and Tarmac, 3 better at 300p.

Higgs and Hill were among the day's best performers, advancing 22 to 397p after making a handsome profits on its 14.9 per cent stake in Rush and Tompkins which H & H revealed yesterday it had sold on to Singapore Land Group for £7.3m, or 380p, a share. Rush & Tompkins initially soared to 398p on the news but subsequently closed a net 4 up at 392p.

John Maunders Group, the Manchester-based housebuilding group, powered ahead to *124p before ending the day* a net 10 higher at 118p; Broker Charterhouse Tilney placed 1.1m shares in the company, the rump of the stake held previously by north western building group Redro, with clients at 105p a share. Maunders' interim figures are expected at the end of the month.

Amstrad were well bid up as trading drew to a close. The shares moved up to 155p at one point, before easing to close a net 3¼ firmer at 152¼p on turnover of 3.1m. The late demand was said by dealers to have come in the wake of remarks from one of the company's directors in Hanover, West Germany, that the company is moving up market towards more sophisticated computers as its next stage of development.

Cable & Wireless attracted a big following amid vague talk that Hong Kong Telecom, where C & W retains a substantial holding, could be about to be granted ADR status.

Profit-taking continued to make a substantial dent in the Racal duo although Racal Telecom rallied to close only a shade off at 308p. Racal Electronic lost 10 to 371p on 4.6m.

Engineers were firm helped by good results from GKN and BM Group where interim profits more than doubled to £6.9m. The price advanced 5 to 448p after 450p. However TI Group *weakened 3 to 464p ahead of* finals today.

The listing of Ratcliffes GB was restored after Tuesday's suspension. It opened 50 higher at the 250p agreed bid price from Severn, Mr Michael Hearn's company.

There was a late rally in Cadbury Schweppes on vague talk that Sir James Goldsmith was going to buy the 18.2 per cent stake held by US group General Cinema. However, dealers said the simple explanation for the rise was that the shares look cheap relative to the sector, and that there could have been some buying for the dividend (the shares go ex-div on May 21). Cadbury closed 9 better at 353p on turnover of 2.1m shares.

Broking houses appear to be taking a fresh look at food retailers now that the salmonella/listeria scare has died down. Citicorp Scrimgeour Vickers has been a keen buyer of Asda this week following a visit to the company by senior analyst Mr John Woolman, who thinks that there is significant scope for a re-rating of Asda. "I came back from the visit believing that the strategy of moving into centralised distribution should provide significant benefits to the company," said Mr Woolman, and Asda closed 5 higher at 149½p on impressive turnover of 6.5m shares.

Gateway (166p) is another supermarket group back in favour. County NatWest WoodMac has moved the stock on to its "buy" list, and the broker thinks the shares undervalued following their recent poor performance. The market still believes that a West German bid could be in the offing.

Hotels group Mount Charlotte added 4½ at 180½p after announcing annual profits of £31.9m and a one-for-one scrip issue. Mr Peter Hilliar, analyst at BZW, predicts that the company will aim to win more commercial business to boost the quality of earnings.

De La Rue recovered 15 to 376p in a thin scatter of trading. Talk of moves from Mr Robert Maxwell, who has a 14.9 per cent stake, were dismissed by one dealer who pointed to the stock's rapid decline from 470p after a profits warning last month. "Everyone is heavily oversold," he said.

Fisons reacted to a recent strong performance and ambivalent press comment on Tuesday's final profit figures. Profit-taking in good two-way business took its toll and the shares slipped 13 to 278p. A presentation in London by a US pharmaceutical company RepliGen, which is working on an Aids vaccine, undermined Wellcome, whose main product is an Aids treatment. Wellcome lost 12 to 465p.

An early buying order in an uncertain market set Unilever climbing. They hit 545p before settling at 542p, up 8 on the day.

British Land featured among slightly weaker Property stocks, the shares climbing 13 to 378p on turnover of 2.4m after Mr David Tunstall, the Smith New Court analyst, raised his net asset value forecast from 500p to 550p-a-share following his visit to the company on Tuesday. He estimates that profits this year will reach £65m (against £56m last year), and believes there is good growth throughout British Land's property portfolio.

The run up to the Budget next Tuesday apparently kept business to low levels in general on the traded options market, but British Petroleum, on 5,917 contracts, a little for the more part call, and Lonrho, on 2,908, about two-thirds call, also found attention. Overall trading came to no more than 28,024 contracts, including 19,438 calls and 8,586 puts. The index trading amounted to 3,362 contracts, covering 1,614 calls and 1,748 puts.

■ Other market statistics, including FT-Actuaries Share Index and London Traded Options, Page 22

TRADING VOLUME IN MAJOR STOCKS

The following is based on trading volume for most Alpha securities dealt through the SEAQ system yesterday until 5 pm.

Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change
ASDA Group	6,400	149½	+5	Commercial Union	711	379½	+2	Land Securities	1,300	584	-1	Rothmans	979	526	+10
Allied-Lyons	8,700	408		Cons. Gold Fields	147	1423	-7	Laporte	290	414		Royal Bk. of Scotland	1,200	307	+2
Amstrad	3,100	152¼	+3¼	Costain	1,000	349	+10	Legal & General	1,600	327		Royal Insurance	346	430	+3
Argyll Group	1,300	194		Courtaulds	2,300	298	-3	Lloyds Bank	517	364	+3	STC	3,300	313	+3
Am. Brit. Foods	727	339	-1	Dalgety	486	376	-1	LASMO	2,300	406	-1	Saatchi & Saatchi	1,000	418	+4
BAA	683	329	-½	Dixons	453	154		Lonrho	11,000	344	+6	Sainsbury	981	220	+1
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

NEW HIGHS AND LOWS FOR 1988/89

NEW HIGHS (199).
AMERICANS (7) BANKS (1) TSB Channel Islands, BREWERS (8) Allied-Lyons, Burtonwood Brew., Guinness 5¼pc Cv. Pf., Do. 8¼pc Cv Ln., Marston Thompson, BUILDINGS (12) CHEMICALS (2) Caird Grp., Canning (W.), STORES (3) Clinton Cards, Glamar Grp., Tibbet & Britten, ELECTRICALS (11) ASEA AB "A", Automated Sec., BICC, Ericsson (L.M.), Eurotherm Int'l., GEC, Mitel, Nth. Telecom, P-E Int'l., Renishaw, Riva Grp., ENGINEERING (28) FOODS (4) Greggs, Meat Trade, Morrison (Wm.), Nichols (Vimto), HOTELS (2) Grand Met., Mt. Charlotte, INDUSTRIALS (38) AIM, Alfa-Laval AB "B", Allied Part., Amber Inds., BSS, Beazer, Braithwaite, Brammer, Bridgend Grp., Brown & Tawse, Channel Express Grp., Christies Int'l., Danby Grp., Dauphin, Dawsongroup, Diploma, Grampian Hldgs., Hawthorn Leslie, Hughes (H.T.), Hunting Assoc., Jackson Bourne, Johnson Cleaners, Lilleshall, Macfarlane Grp., Melville, Nestor-BNA, PCT, Platignum, Schlumberger, Sarco Grp., Securicor Grp., Do. "A" N/V, Security Servs., Swallowfield, Whatman Reeve, INSURANCE (5) Amern. Int'l. Grp., Hibernian Grp., Ltd Friendly, LEISURE (6) Cityvision, Grampian TVA, LWT, TV-am, Ulster TV, Yorkshire TV, MOTORS (2) Western Motor, Volvo, NEWSPAPERS (2) PAPERS (12) PROPERTY (5) SHIPPING (2) Sea Conts., Tiphook, SOUTH AFRICANS (1) Barlow Rand, TOBACCOS (1) Rothmans, TRUSTS (47) OILS (1) Chevron, MINES (3) Anglo Amer., De Beers Dfd., Rus. Plat.
NEW LOWS (9).
CANADIANS (2) ABM Gold, Geodome Res., STORES (2) Panfida Grp., Sock Shop Int'l., FOODS (1) Sims Food Grp., INSURANCE (1) Barry Birch, PAPERS (1) Ketson, MINES (2) Duke Grp., Enterprise Gold.

APPOINTMENTS

Chairman designate of BBA

■ Mr Vanni Treves, deputy chairman of BBA GROUP, is to become non-executive chairman on May 4. Mr Treves is senior partner of City solicitors Macfarlanes and a non-executive director of Saatchi & Saatchi. BBA's current chairman, Mr Charles Fenton, will remain on the board as an executive director.

■ NEEDWOOD HOLDINGS has appointed Mr Bob Jones as group chief executive. He was managing director of The Marley Paving Co.

■ HYMAN has appointed Mr Terry Banner as commercial director and Mr Jean-Pierre Billiard as European director. Mr Banner was managing director of the foam manufacturing division of the Harrison & Jones Group. Mr Billiard has been chief executive of the Francal Group since its acquisition, and has controlled the Hyman French and German factories.

■ Mr John Collins has been appointed chief executive of KENT INTERNATIONAL AIRPORT (Manston). He was managing director of Blackpool (Squires Gate) Airport.

■ Mr Lionel Stammers has been appointed the first non-executive director of the QUADRANT GROUP. He is a non-executive director of BTR.

■ Mr Michael Garland has been appointed marketing director, Mr Simon Frost becomes finance director, and Mr Robert Endersbee is made company secretary of BAII. They remain directors of BAII Leasing.

■ TSB GENERAL INSURANCE has appointed Mr Andrew S. Ratcliff as sales and marketing director; Mr James R. Bradfield as general manager, customer services; and Mr Keith Moyle as financial controller.

■ LADBROKE GROUP has appointed Mr Peter Martin as managing director of Ladbroke City & County Land Company, its retail property development subsidiary. He was property portfolio director at Grosvenor Properties.

■ Mr Stephen Lewis, who has joined the board of COURTNEY, POPE (HOLDINGS), is chairman and managing director of Quickwood, recently acquired by Courtney, Pope.

■ P&P has appointed the following to the board of Personal Computers following its acquisition: P&P group managing director Mr David Southworth becomes chief executive; Mr John Atkin, finance director; Mr Stuart Lakey, sales director; and Mr Chris Fabesch, operations director. Mr Mike Sterland has resigned as chief executive, but remains on the board as integration director. Mr Malcolm Rolfe, non-executive chairman, and Mr Stephen Rapkin, non-executive director, have resigned.

■ NMW COMPUTERS has appointed Mr John Spalding as a non-executive director. Until his retirement last August he was chief executive of Halifax Building Society.

■ COSTAIN ENGINEERING, Manchester, has appointed Mr Alan Piggott as director of sales and marketing. He was managing director of Fluor Daniel Norge, in Norway.

■ UNIGROUP has appointed Mr Ian Shay as group financial controller from April 1. He was financial controller of Next Retail.

■ Mr Paul Thompson has been appointed group managing director of the REED EXHIBITION COMPANIES, Richmond. He was marketing director of Dylon International.

■ Mr Edward Weeks, manager of BASF's technical plastics, Cheadle Hulme, has been appointed director of the plastics division from April 1. He is replaced by Mr Michael Field, manager of the paper department.

■ HAWKER SIDDELEY has appointed Mr Michael James as sales director of Lister-Petter.

Mr John Nash *(above)*, previously managing director of ADVENT, becomes chairman and chief executive of Advent Management Opportunities, a new company. Mr Colin Amies has been appointed managing director of Advent. He was investment director. Mr David Cooksey, chairman of Advent, additionally becomes executive vice president of Advent International Corporation.

■ PARRISH STOCKBROKERS has appointed Mr Paul O'Donnell to the board. He was an assistant director.

■ TATE & LYLE has appointed Mr Christian Laur as directeur-general of its new office of Tate & Lyle France, based in Paris. He continues as a vice president of the North American based international sugar organisation, Sugar Industries Technologists.

BUSINESS LAW

1677 statute protects DTI from liability for Tin Council debts

By A.H. Hermann, Legal Correspondent

Another weighty judgment (of 108 pages) has been delivered in the International Tin Council (ITC) litigation. It advanced the case of the creditor banks and brokers, but not so much as to bring repayment of the £900m owed by the insolvent international body within sight. It has been delivered, after much learned argument, by Mr Justice Evans in the High Court on February 21[1].

The judgment is only preliminary, deciding whether the claims of the banks and brokers have sufficient basis in law so that they can be allowed to go to trial – which will then be mainly about the facts to fit the law. The action against the Department of Trade and Industry has been staid. The EC and the sovereign states who formed the ITC will, no doubt, argue that they cannot disclose facts without revealing their diplomatic activities and there may be yet another interlocutory judgement about that, going all the way to the House of Lords. The journalist able to report the end of the saga has probably not yet been born.

If there was any need to show that the mixture of common law and cryptically drafted statutes is inherently uncertain and provides a wonderful opportunity for those with a sufficiently deep pocket to go on confusing the issues by a plethora of legal arguments, the ITC litigation would be an excellent example.

Pushing aside the web of law, the issue is of the greatest simplicity. The governments of the tin producing and tin consuming countries agreed to keep the price of tin within agreed brackets by means of a buffer stock which they undertook to finance. They kept the price sufficiently high to maintain constant overproduction, as the EC does with butter, wine, olive oil and meat. To keep the price above what it would have been on a free market, they had to go on buying and instead of providing funds they took loans from banks and bought on credit from dealers. As they could only sell the stockpile of tin at a much reduced price, it is abundantly clear to everybody that the ITC debt can be repaid only by further money provided by the member governments.

Whenever the governments forming the ITC authorised the buffer-stock manager to make further purchases or to take further loans from banks, they must have known that these could be paid only if they provided more money from their own coffers. They did not, and the ITC became insolvent on 20 October 1985. Their present reluctance to pay the ITC's debts shows either that this was always their intention, or at least, that there was no certainty that the money would be made available. In the first case, one could speak of deceit pure and simple, in the second, of recklessness which falls into the same category.

In the first round of litigation, the creditors thought that it will not be necessary to claim recklessness, fraud, and fraudulent trading, or even negligence. They sued the member states for their obligations under contract. The ITC, they argued, was an unlimited partnership. This claim was vehemently rejected by the majority of the Court of Appeal which also held that any obligation of the member states to indemnify the ITC against its liabilities to the brokers and bankers could not be enforced by English courts. This came with the astonishing assertion that international law, under which such obligations are constituted, is not enforceable by the English courts. The Court of Appeal also confirmed that English courts cannot appoint a receiver for the insolvent ITC, and it also rejected the claim that the ITC acted as an agent for the member states. Some of these judgments are under appeal to the House of Lords.

After this débâcle in the Court of Appeal, the creditors had to reach for stronger arguments. In the case before Mr Justice Evans, the brokers' claim is for damages caused by misrepresentation and fraudulent trading. The brokers have been allowed to proceed to trial claiming recklessness amounting to fraud, but the wider claim of fraudulent trading was rejected by the judge.

The banks claimed damages for negligence. The judge held that as the relationship was commercial, the governments had no duty of care towards the creditors. Consequently, there was no claim in negligence. The banks' reluctance to offend did not pay off. They may yet start new proceedings for deceit or recklessness. Whether they do or do not take up this path, the banks, which usually have their way in most things, must feel disappointed. At a time when new company and insolvency legislation makes them responsible as "shadow directors"[2] for debts of insolvent companies over which they exercised decisive influence, the states which exercised not only influence but direct control over the ITC operations, are held not to be liable for its debts.

In their defence, already condemned from the moral point of view by the Court of Appeal, the governments left no stone unturned. The judge said that "the writs, affidavits and points of claims relied upon by the plaintiffs have been subjected to a degree of textural analysis worthy of a medieval monastery challenged by an ancient manuscript." He dealt only with what he called "the essential allegations".

One of the crucial questions to which the judge sought an answer was whether there could be a false representation by the governments about their intention and ability to provide funds. Did the authorisation of a contract or of a loan imply the assurance that it will be repaid? A simple man whose mind had not been improved by the study of law, might think the answer self-evident. If you ask for a loan, you are saying "let me have some money now and I will repay it later". If you wanted the money without intending to repay, you would be asking for a gift.

However, such simplicity of thought would destroy the Bar quicker than Lord Mackay's Green Paper. The issue was argued with utmost learning, citing innumerable precedents. Counsels for defence argued that there was no implied false representation on the part of the governments as they may have had the means and intention to repay their debts in the early stages of trading. Yet, a similar argument concerning a guest who entered a restaurant believing that his friends would pay for the meal, but stayed after he discovered that they would not, himself having no money, was decided in 1974 by Lord Reid when he said in the House of Lords "A new customer . . . must be held to make an implied representation that he can, and will, pay before he leaves"[3]. The judge accepted this, but he refused to be drawn into developing the law of fraud further to make it applicable to conduct which does not encompass a false representation, but brings the victim into error in another way.

The member states claimed sovereign immunity. The judge decided that their operations were of a commercial nature. and that therefore, they could not benefit from sovereign immunity. He also held that there was nothing in the proceedings which would be outside the scope of English courts to judge.

One of the most remarkable and disquieting features of the proceedings, was the defence raised by the Department of Trade (DTI) under the ancient Statute of Frauds of 1677, amended in 1828. The "obscure wording" of this Act, said the judge, gives a defence to any person charged with giving false information as to the credit of any other person unless such information is in writing and signed by the defendant.

This defence was raised by the DTI only in the last minute with the approval of the Attorney–General. The judge must have found it hard to believe because he asked for an affidavit which was duly sworn by an Assistant Secretary in the Industrial Materials Market Division of the DTI. "Conspicuous by its absence from the affidavit, as it was from the Council's submissions," said the judge, "is any expression of concern that the conduct of representatives of Her Majesty's Government should have given rise to allegations of fraudulent conduct or of any indication that these allegations have been, or are likely to be, investigated, if not by the courts then by the department itself. What is said is that the allegations are regarded as misconceived and unjustified and totally rejected. Whether they have been or will be investigated, I do not know."

[1] *Amalgamated Metal Trading Ltd and Others v Department of Trade and Industry and Others, FT Law Reports 28 Feb 1989*

[2] *The assumed role of a shadow director, FT Business Law, March 21989*

[3] *DPP v Ray [1974] AC 370, page 379*

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AUTHORISED UNIT TRUSTS

Abbey Unit Tst Mngrs (1200)H
80 Holdenhurst Rd, Bournemouth 0345 717373

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
High Income						
American Income	6	47.00	47.00xd	50.27	-0.13	5.45
Gilts & Fixed Int	6	112.60	112.60xd	119.60	-0.2	8.36
High Inc Equity	6	131.10	134.30	142.80	+0.5	4.17
Worldwide Bond	6	188.00	188.00xd	199.30	+0.1	4.87
Capital Growth						
American Growth	6	160.70	160.70	171.90	+0.4	1.27
Asian Pacific	6	81.76	83.41	88.73	-0.29	1.22
Assets & Earnings	6	159.20	159.20	170.30	+0.2	2.33
Capital Reserve Acc	0	83.65	83.65xd	83.67	+0.04	4.78
Comdty & Energy	6	97.07	97.07xd	103.90	+0.1	0.90
1992 Enterprise	6	54.89	55.89	59.45	+0.24	3.03
European Capital	6	77.72	78.41	83.41	-0.07	0.90
General	6	172.60	172.60xd	184.60	+0.1	2.44
Japan	6	104.90	106.60	113.40	.....	0.00
Mastertrust	6	80.12	80.12	85.69	+0.01	1.72
UK Growth Acc	6	198.20	198.20	212.00	+0.4	1.61
UK Growth Dist	6	133.00	133.00	142.30	+0.3	2.40
US Emerging Cos	6	47.31	47.31	50.60	+0.08	0.00
Income & Growth	6	289.40	295.80	314.60	+2.3	3.02
Ethical	6	47.95	49.16	52.29	+0.18	2.99

Abtrust Management Ltd (1000)H
10 Queens Terrace, Aberdeen AB9 1QJ 0800 833580

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
American	5¼	43.65	43.65	46.60	-0.15	2.71
Australian	5¼	22.21	22.21	23.71	-0.21	1.19
European	5¼	52.84	52.84	56.40	-0.04	0.00
Extra Income	5	42.41	42.41xd	45.02	+0.1	4.92
Fund Inv Tst	5	117.7	117.7	125.6	+0.3	2.00
Do Accum	5	179.4	179.4	191.5	+0.4	2.00
Gilt & Fixed Int	5¼	21.91	21.91xd	23.39	+0.00	10.05
Global Income	5¼	39.40	39.40	42.06	-0.09	4.38
Income & Growth	5¼	72.79	72.79	77.70	+0.04	3.70
Japan	5¼	174.1	174.1	185.9	+0.58	0.01
Nth Amer Inc (z)	5	26.89	26.89	28.54	-0.15	4.36
Special Situations	5¼	71.69	71.69	76.53	+0.02	0.93
UK Growth	5	36.76	36.76	39.02	+0.02	2.32
World Gwth	5	45.57	45.57	48.37	+0.06	0.47

[illegible]

Provident Mutual Unit Tst Mgrs Ltd (0905)H
25-31 Moorgate, London, EC2R 6BA. 01-588 3963

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
PM Equity Gth	5	118.7	120.7	128.4	+0.7	2.78
PM Income & Gth	5	106.5	108.1	114.9	+0.3	4.15
PM Nth Amer Gth	5	47.46	47.46	50.48	-0.28	1.49
PM European Gth	5	47.38	47.38	50.40	+0.1	0.88
PM Japan Gth	5	77.67	77.82	82.78	-0.09	0.90
PM Overseas Gth	5	49.45	49.45	52.60	-0.05	0.90

[illegible]

GUIDE TO UNIT TRUST PRICING

INITIAL CHARGES
These represent the marketing, administrative and other costs which have to be paid by new purchasers. These charges are included in the price when the customer buys units.

OFFER PRICE
The price at which units may be bought.

BID PRICE
The price at which units may be sold.

CANCELLATION PRICE
The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, unit trust managers quote a much narrower spread. As a result, the bid price is often set well above the minimum permissible price which is called the cancellation price in the table. However the bid price might be moved to the cancellation price in circumstances in which there is a large excess of sellers of units over buyers.

TIME
The time shown alongside the fund manager's name is the time at which the unit trusts' daily dealing prices are normally set unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: ♥ - 0001 to 1100 hours; ♦ - 1101 to 1400 hours; ♠ - 1401 to 1700 hours; ♣ - 1701 to midnight.

HISTORIC PRICING
The letter H denotes that the managers will deal on a historic price basis. This means that investors can obtain a firm quotation at the time of dealing. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis.

FORWARD PRICING
The letter F denotes that prices are set on a forward basis so that investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper show the prices at which deals were carried out yesterday.

Other explanatory notes contained in last column of the FT Unit Trust Information pages.

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	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Windsor Trust Mngrs Ltd (1200)F						
83 Kingsway, London, WC2B 6SD 01-405 8331						
Cowntd & Equity	5	64.00	66.59	70.84	+0.31	5.71
European	5	58.57	59.10	62.87	+0.2	0.34
Far Eastern	5	54.11	54.22	57.68	+0.04	1.13
Growth Inc.	5	89.55	92.72xd	98.64	+0.62	1.50
Growth Acc	5	89.55	92.72xd	98.64	+0.62	2.38
Income Inc	5	84.35	85.83xd	91.31	+0.83	3.59
Income Acc	5	84.35	85.83xd	91.31	+0.83	3.69
Property Share	5	55.08	56.38	60.19	+0.48	1.21
Smaller Co's	5	60.61	63.79	67.86	+0.11	1.83
Formerly MIC Trust Managers Ltd						
Ntr American	5	53.16	53.16	56.86	-0.03	1.87
International	5	42.46	42.46	45.40	+0.13	1.45
Wright Seligman Fund Mngrs Ltd (1000)H						
21 Bloomfield St, London EC2M 7AY 01-588 0592						
Growth	5	94.04	94.04	98.04	—	3.85
Weekly dealing day Tuesday						
The Yorkshire Unit Tst Mngrs Ltd (1100)F						
Woodsome Pk, Fenay Bdge, Huddersfield 0484 602250						
Yorkshire General	5¼	61.70	63.99	68.07	-0.02	3.07
YBTM US Eqty Inc Ts	5¼	59.66	60.75xd	65.55	+0.11	6.51
YBTM Intl Grth Inc	5¼	46.26	46.26	49.41	+0.06	1.12

OTHER UK UNIT TRUSTS

Baillie Gifford & Co Ltd					
Int'l Exmpt Feb 15	428.8	445.3	—		
Cent. Bd. of Fin. of Church of England					
2 Fore Street, London EC2Y 5AQ 01-588 1815					
Inv Fund Feb 28		485.80		—	4.88
Fxd Int Sec Feb 28		142.95		—	10.03
Deposit Feb 28		100.00		—	12.35
Charities Official Invest. Fund					
2 Fore Street, London EC2Y 5AQ 01-588 1815					
Income Feb 28		460.39		—	5.06
Accum Feb 28		1493.07		—	—
Edinburgh Fund Mngrs PLC					
Exempt Funds					
American Mar 8	123.4	128.8		+4.7	1.78
[illegible]					

	Bid Price	Offer Price	+ or -	Yield Gross
Allied Dunbar Assurance Plc				
Allied Dunbar Ctr, Swindon SN1 1EL 0793 514514				
Fixed Int. Dep. Acc	256.8	269.3	+0.1	—
Equity Acc	819.4	862.6	+3.4	—
Property Acc	482.7	508.2	+0.1	—
Far East Acc	193.8	204.1	+0.1	—
European Acc	20.5	21.6	-0.1	—
Managed Acc	647.9	682.0	+2.2	—
Managed Cap	369.1	388.6	+1.3	—
O'seas Earnings Acc	549.2	578.2	+0.9	—
Gilt Edged Acc	316.7	333.4	-0.4	—
American Equity Acc	404.3	425.6	+0.2	—
American Man Acc	188.6	198.6	+0.1	—
American Prop Acc	137.1	144.4	—	—
Pen.F.I.Dep.Cap	281.3	296.2	—	—
Pen.F.I.Dep.Acc	477.5	502.7	+0.1	—
Pen. Prop. Cap	568.3	598.3	—	—
Pen. Prop. Acc	1065.1	1121.2	+0.2	—
Pen. Man. Cap	797.6	839.6	+0.1	—
Pen. Man. Acc	1494.0	1572.7	+0.9	—
Pen.Gilt Edg.Cap	315.6	332.3	-0.4	—
Pen. Gilt Edg. Acc	483.1	508.6	-0.6	—
Pen. Eq. Cap	1306.6	1375.4	+0.2	—
Pen. Eq. Acc	1855.1	1952.8	+0.5	—
Pen. Am. Eq Cap	129.1	135.9	+0.3	—
Pen. Am. Eq Acc	154.4	162.6	+0.4	—
Pen. Far East Cap	229.4	241.5	-0.6	—
Pen. Far East Acc	274.5	289.0	-0.7	—
Pen. Euro Cap	23.1	24.4	-0.1	—
Pen. Euro. Acc	24.9	26.3	-0.1	—
Pen. B.S. Acc	520.7	548.8	+0.2	—
Pen. B.S. Cap	315.4	331.2	+0.1	—
Pen. D.A.F. Acc	365.5	363.9	+0.2	—
Pen. D.A.F. Cap	248.5	248.5	+0.1	—
Pen. Mortgage Cap	140.9	148.4	+0.1	—
Pen. Mortgage Acc	168.6	177.5	—	—
Barings Funds				
Pen Equ Cap	27.3	28.8	—	—
Pen Equ Acc	28.2	29.7	—	—
Pen Am Eq Cap	28.1	29.6	—	—
Pen Am Eq Acc	29.0	30.6	+0.1	—
Pen Far East Cap	28.5	30.1	+0.1	—
Pen Far East Acc	29.5	31.1	+0.2	—
Pen Euro Cap	31.1	32.8	-0.1	—
Pen Euro Acc	32.2	33.9	—	—
James Capel Funds				
Pen Equ Cap	28.2	29.7	+0.1	—
Pen Equ Acc	29.0	30.6	+0.1	—
Pen Am Eq Cap	28.1	29.6	+0.1	—
Pen Am Eq Acc	28.9	30.5	+0.1	—
[illegible]				

City of Edinburgh Life Assurance

46 Charlotte Sq, Edinburgh [illegible]

[illegible]

City of Westminster Assurance

PO Box 469, 500 Avebury [illegible]

[illegible]

Clerical Medical/Fidelity International

Narrow Plain, Bristol BS2 [illegible]

[illegible]

INSURANCES

[illegible]

Continued on next page

FT UNIT TRUST INFORMATION SERVICE

● Current Unit Trust Prices are available on FT Cityline. To obtain your free Unit Trust Code Booklet ring the FT Cityline help desk on 01-925-2128

	Bid Price	Offer Price	+ or −	Yield Gross
Pioneer Mutual Insurance Co Ltd				
16 Crosby Rd, N. Waterloo, Liverpool 051-928 6655				
Managed Fund	291.9	307.3	+10.5	−
Man Pens Inc & Cap Fds	382.4	402.6	+17.6	−
Money Fund	117.6	123.8	+0.2	−
Pens Mngd Fd (Unit)	101.4	106.8	+4.0	−
Pens Mngd Fd (Acc)	121.0	127.4	+4.9	−
Pens FT30 Fd (Unit)	143.8	151.4	+5.6	−
Pens FT30 Fd (Acc)	171.6	180.7	+7.0	−
Pens O'seas MgFd(Unit)	72.4	76.3	+2.5	−
Pens O'seas MgFd(Acc)	86.3	90.9	+2.9	−
Pens Fxd Int Fd (Unit)	105.8	111.4	+1.4	−
Pens Fxd Int Fd (Acc)	126.2	132.9	+1.7	−
Pens Deposit Fd (Unit)	103.6	109.1	+0.1	−
Pens Deposit Fd (Acc)	123.6	130.2	+0.3	−
Premium Life Assurance Co Ltd				
37-39, Perrymount Road, Haywards Heath 0444 458721				
American	107.0	113.0	−	−
Building Soc. Fd	168.0	177.0	−	−
Balanced	273.0	288.0	−1.0	−
Deposit	168.0	177.3	−	−
European	153.0	162.0	−1.0	−
GT Managed	173.0	183.0	−1.0	−
Gartmore Mngd	112.0	118.0	−	−
German	105.0	111.0	−	−
Gilt	174.0	184.0	−	−
Global	48.0	51.0	−	−
High Inc	114.0	120.0	−	−
International Equity	179.0	189.0	−	−
Japan	236.0	249.0	−	−
Managed	62.0	66.0	−	−
Property	276.0	291.0	−	−
R. W. Imperial Gold	130.0	137.0	−	−

[illegible]

MANAGEMENT SERVICES

[illegible]

OFFSHORE AND OVERSEAS

GUERNSEY (SIB RECOGNISED)

[illegible]

JERSEY (SIB RECOGNISED)

[illegible]

IoM (SIB RECOGNISED)

[illegible]

SWITZERLAND (SIB RECOGNISED)

[illegible]

BERMUDA AUTHORISED

[illegible]

GUERNSEY (**)

[illegible]

JERSEY (**)

[illegible]

FT UNIT TRUST INFORMATION SERVICE

OTHER OFFSHORE FUNDS

LUXEMBOURG (**)

OFFSHORE INSURANCES

ISLE OF MAN (**)

Money Market Trust Funds

Money Market Bank Accounts

LONDON SHARE SERVICE

BRITISH FUNDS

1988/89 High	Low	Stock	Price £	+ or –	Yield Int.	Red.
"Shorts" (Lives up to Five Years)						
101	98	Treas 9½pc Cnv 1989	99	......	9.53	11.78
98	95	Treas 3pc 1989	98	–	3.04	10.43
102	98	Treas 10½pc 1989	99	......	10.56	12.32
102	98	Exch. 10pc 1989	99	......	10.09	12.38
103	98	Exch 11pc 1989	99xd	......	11.08	12.31
97	94½	Treas 5pc 1986-89	97	+	5.15	10.08
104	98½	Exch 10¼pcCv '89	99	+	10.31	11.03
107½	100½	Treas 13pc 1990‡‡	101	......	12.87	11.69
104½	99	Exch 11pc 1990‡‡	99	......	11.06	11.63
107	100½	Exch. 12¼pc 1990	100	......	12.40	12.69
93	90	Treas. 3pc 1990	93	–	3.23	9.50
99	95	Treas 8¼pc 1987-90‡‡	96	–	8.54	11.16
102	95	Treas. 8pc Cv 1990 ‡‡	97	......	8.18	9.80
103	97	Treas. 10pcCv 1990	97	+	10.19	11.30
91	87	Exch 2½pc 1990	89	......	2.78	8.99
107	100	Treas 11¾pc 1991	100	+	11.64	11.17
95	89	Funding 5¾pc '87-91‡‡	91	–	6.27	11.31
90	86	Treas. 3pc 1991	88	–	3.00	9.03
105	97	Treas 10pc Cv '91 ‡‡	99	–	10.10	10.50
107	98	Exch. 11pc 1991	100	–	10.96	10.90
98	91	Treas. 8pc 1991	93	+	8.57	10.85
113	103	Treas 12¾pc 1992‡‡	105	–	12.12	10.59
104	96½	Treas 10pc 1992	98	–	10.16	10.63
98	91¼	Treas. 8pc 1992 ‡‡	93xd	+	8.59	10.64
106	98	Treas 10½pc Cv 1992‡‡	99	+	10.52	10.58
86	81	Treas. 3pc 1992	84	–	3.55	8.52
112	102	Exch. 12¼pc '92	104	–	11.70	10.60
117	106	Exch 13½pc 1992	108xd	–	12.44	10.52
97	91	Treas 8¼pc 1993	93	......	8.86	10.42
105	96	Treas 10pc 1993‡‡	98	–	10.10	10.30
115	105	Treas 12½pc 1993‡‡	107	–	11.65	10.36
93	85¼	Funding 6pc 1993‡‡	87¼xd	–	6.88	9.53
121	110	Treas 13¾pc 1993‡‡	112½	......	12.24	10.35
101	90	Treas. 8½pc 1994	93	......	9.13	10.31
125	113	Treas 14½pc 1994‡‡	116	+	12.45	10.19
Five to Fifteen Years						
120	109	Exch 13½pc 1994	112	......	12.03	10.36
105	96	Treas. 10pc Ln. 1994‡‡	99	......	10.05	10.12
116	106	Exch. 12½pc 1994	108	–	11.48	10.32
101	92	Treas 9pc 1994‡‡	95	–	9.43	10.07
114	104	Treas 12pc 1995	107	......	11.18	10.30
83	76	Exch 3pc Gas 90-95	77	......	3.90	3.78
106	97	Exch. 10¼pc 1995	100	–	10.22	10.19
120	109	Treas 12¾pc 1995‡‡	112	–	10.36	10.17
126	114	Treas. 14pc '96	117	+	11.88	10.30
101	92	Treas. 9pc 1992-96‡‡	96xd	+	9.35	9.75
133	122	Treas 15¼pc 1996‡‡	125	+	12.18	10.19
123	112	Exch 13¼pc 1996‡‡	115	......	11.47	10.15
105	96	Conversion 10pc 1996	99	–	10.02	10.02
124	113	Treas 13¼pc 1997‡‡	116	–	11.37	10.14
108	99	Exch 10½pc 1997	102½	–	10.24	10.02
98	90	Treas 8¾pc 1997‡‡	93	–	9.32	9.83
134	123	Exch 15pc 1997	126½	–	11.85	10.27
104	95	Exch. 9¾pc 1998	98	–	9.85	9.92
87	80	Treas 6¾pc 1995-98‡‡	83	......	8.10	9.50
140½	129	Treas. 15½pc '98‡‡	132xd	+	11.70	10.12
118	108	Exch. 12pc 1998	111	–	10.72	10.03
103	95	Treas 9½pc 1999‡‡	98	......	9.61	9.67
120	110	Exch. 12¼pc 1999	113xd	–	10.75	10.01
109	100	Treas. 10½pc 1999	103½	......	10.11	9.89
107	99	Conversion 10¼pc 1999	102	–	10.01	9.87
100	86	Treas. 8½pc Ln 2000‡‡	92	+	9.19	9.62
99	92	Conversion 9pc 2000‡‡	95	–	9.41	9.64
126	116	Treas. 13pc 2000	119	–	10.84	10.01
106	98	Treas 10pc 2001	101	–	9.80	9.70
129	119	Treas. 14pc '98-01	122½	–	11.46	10.22
104	97	Conversion 9¾pc 2001	100½	–	9.49	9.67
118	108	Exch. 12pc '99-02	111	+	10.72	10.05
107	99	Conversion 10pc 2002	102xd	–	9.72	9.61
105	97	Treas 9¾pc 2002	101	–	9.62	9.56
99	92	Exch. 9pc 2002	96	–	9.36	9.50
131	121	Treas. 13¾pc 2000-03	124½	–	11.03	10.05
108	100¼	Treas 10pc 2003	103xd	–	9.61	9.48
Over Fifteen Years						
117	108¼	Treas. 11½pc 2001-04	111xd	+	10.03	9.82
108	100	Treas. 10pc 2004	104¾	–	9.54	9.40
61	54	Funding 3½pc '99-04	59¼	+	5.90	8.21
104	97	Conversion 9½pc 2004	101½	–	9.35	9.30
104	97	Conversion 9½pc 2005	101	......	9.34	9.29
113	105	Exch.10½pc 2005	110xd	+	9.51	9.25
128	118	Treas. 12½pc 2003-05	123	–	10.14	9.52
92	85	Treas. 8pc 2002-06‡‡	89½xd	......	8.92	9.20
106	99	Conversion 9¾pc 2006	104	–	9.32	9.21
121	112	Treas. 11¾pc 2003-07	116	–	10.04	9.50
97	89	Treas 8½pc 2007 ‡‡	94	–	8.96	9.08
137	127	Treas. 13½pc '04-08	132	–	10.22	9.45
101	94	Treas. 9pc 2008 ‡‡	99xd	–	9.03	9.04
92	85	Treas 8pc 2009	90xd	–	8.81	8.98
102	93¾	Conv 9pc Ln 2011 ‡‡	100xd	–	8.94	8.92
68	62	Treas. 5½pc 2008-12‡‡	67xd	–	8.11	8.74
89	82	Treas. 7¾pc 2012-15‡‡	88	–	8.73	8.86
132	121	Exch. 12pc '13-'17	130	+	9.19	8.91

BRITISH FUNDS—Contd

1988/89 High	Low	Stock	Price £	+ or –	Yield Int.	Red.
Undated						
45	41	Consols 4pc	45	......	8.80	–
40	37	War Loan 3½pc‡‡	40	......	8.75	–
70	48	Conv. 3½pc '61 Aft	70½xd	......	4.96	–
41	30	Treas. 3pc '66 Aft	41¼xd	......	7.27	–
29	26	Consols 2½pc	29xd	......	8.53	–
29	26½	Treas. 2½pc	29xd	......	8.60	–
Index–Linked		(b)			(1)	(2)
127	117½	Treas 2pc IL '90(94.6)	127	......	–	2.60
106	99	Do. 2pc '92‡‡(97.8)	106½xd	......	2.45	3.31
99	92½	Do. 2 '94 (102.9)	98½	......	2.84	3.34
144	127½	Do. 2pc '96(67.9)	144½xd	......	3.05	3.39
124	103	Do 2½pc '01(78.3)	124xd	+½	3.22	3.46
122¼	101	Do. 2½pc '03(78.8)	122¼	+½	3.27	3.48
125	102	Do. 2pc '06(69.5)	125	+½	3.33	3.50
117	95	Do. 2½pc '09(78.8)	117½	+½	3.34	3.50
122	99	Do. 2½pc '11(74.6)	122	+½	3.34	3.49
102¼	82	Do. 2½pc '13(89.2)	102¼	+½	3.31	3.45
110	88	Do. 2½pc '16(81.6)	110	+½	3.30	3.44
108	87½	Do. 2½pc '20(83.0)	108	+½	3.26	3.38
91½	73	Do. 2½pc '24‡‡(97.7)	91½	+½	3.23	3.35

Prospective real redemption rate on projected inflation of (1) 10% and (2) 5%. (b) Figures in parentheses show RPI base month for indexing, (ie 8 months prior to issue) and have been adjusted to reflect rebasing of RPI to 100 in January 1987. Conversion factor 3.945. RPI for June 1988:106.6 and for January 1989:111.0

INT. BANK AND O'SEAS

High	Low	Stock	Price £	+ or –	Int.	Red.
109	100	African Dv Bk 11¼ Ln 2010	104	–	10.41	10.31
104	96	Asian Dev Bk 10¼pcLn2009	103	–	9.93	9.87
130	120	Australia 13½pc 2010	127xd	–	10.55	10.25
113	103¼	Do. 11½pcLn2015	111¼	–	10.24	10.15
110	103¼	Euro Inv Bk 11pc Ln 2002	106	–	10.31	10.08
105	98	Do. 10¼pc2004	102½	–	10.12	10.05
120¼	112	Int-Am Dev Bk 12½pc 2003	116	–	10.71	10.21
99¼	91	Do. 9¾pcLn 2015	97¾	–	9.97	9.99
97¼	86	Malysia 10¾pcLn 2009	96¼xd	......	11.17	11.22
121	87	Utd. MexicanStates 16½pc 2008	118	......	13.98	13.80

CORPORATION LOANS

High	Low	Stock	Price £	+ or –	Int.	Red.
111	100	Birmingham 13½pc 1989	100½	......	13.43	11.20
115½	101	Do. 11½pc 2012	110½	......	10.41	10.30
94	86½	GLC 6¾pc 1990-92	89½xd	+1	7.54	10.85
130	117	Leeds 13½pc 2006	124½	......	10.84	10.45
34	26¼	Liverpool 3½pc Irred	32xd	–1	10.94	–
97	90½	LCC 6¾pc '88-90	93½xd	......	7.22	11.90
31	25	Do. 3pc '20 Aft	30xd	......	10.00	–
112	100	Manchester 11½pc 2007	106½	......	11.00	10.90

COMMONWEALTH & AFRICAN LOANS

High	Low	Stock	Price £	+ or –	Int.	Red.
93½	86½	NZ 7¼pc 1988-92	88¼	......	8.22	11.50
207	197	S Rhod 2½pc Non-Asstd	204	......	–	–
84½	71½	Do. 4½pc 87-92 Asstd	84½xd	......	5.33	9.33

LOANS

Building Societies

High	Low	Stock	Price £	+ or –	Int.	Red.
100	98	N'wide Anglia 9¾pc 13.3.89	99xd	......	9.74	13.52
100	97	Do. 9¼pc 17.4.89	99	......	9.23	13.05
100	97	Do. 9½pc 8.5.89	99	......	9.56	13.25
100	97	Do. 8⅞pc 30.5.89	99	......	9.03	13.24
100	93½	Do. 9⅞pc 26.6.89	98	......	9.92	13.22
100	98	Do. 10⅝pc 17.7.89	99xd	......	10.79	13.22
100	94½	Do. 11pc 7.8.89	99xd	......	11.16	13.16
100¼	98	Do. 11½pc 29.8.89	99	......	11.65	13.20
100½	99	Do. 12¼pc 18.9.89	99xd	......	12.43	13.12
100¼	98	Do. 12⅞pc 2.10.89	99xd	......	12.99	13.13
100	98	Do. 11⅞pc 6.11.89	99	......	12.92	13.15
100½	99	Do. 12¼pc 4.12.89	99	......	12.31	13.17
100	99	Do. 12⅞pc 2.1.90	99	......	12.85	13.10
102¼	87¾	Do. 3⅞pcIL Ln 2021	100½xd	......	4.39	4.45

Public Board and Ind.

High	Low	Stock	Price £	+ or –	Int.	Red.
97	90	Agric. Mt. 5pc '59-89	97	......	5.15	3.26
48½	40	Met. Wtr. 3pc 'B'	47xd	......	6.38	10.50

FOREIGN BONDS & RAILS

1988/89 High	Low	Stock	Price £	+ or –	Div % Gross	Red. Yield
45	33	Greek 7pc Ass	40	......	3.50	f8.75
45	33	Do. 6pc 28 Stb. Ass	40xd	......	3	f7.50
45	33	Do 4pc Mixed Ass	40	......	2	f5.00
80	63	Hung. '24 Ass	80	......	2.75	f3.57
140	128	Hydro Quebec 15pc 2011	137½	–	15.00	10.59
131	13	Iceland 14½pc Ln 2016	126xd	–	14.50	11.29
101¼	37	Ireland 9¾pc '91-96	96½xd	......	9.75	10.45

AMERICANS

1988/89 High	Low	Stock	Price £	+ or –	Div Gross	C'vr	Y'ld Gr's
30¼	22	Abbott Laboratories‡	30xd	–	$1.20	–	2.2
649p	340p	♦Allegheny & W 1c	508p	–29	30c	–	3.3
15	862p	Amax $1	14½	–	40c	–	1.5
15	8	Amdahl 5c	10½xd	–	10c	–	0.5
31	22	Amer. Cyanamid $5	28½xd	–	$1.20	–	2.3
18¼	11¼	Amer. Express 60c	17½xd	......	84c	–	2.6
10¼	668p	Amer. Medical Int. $1	10¼	......	72c	–	3.7
18½	13	American T. & T. $1	17	–	$1.20	–	3.7
30¼	22	Ameritech $1	29¼xd	–	$2.92	–	5.4
For Anheuser–Busch see Beers, Wines & Spirits							
12¼	3½	BankAmerica $1	12¼	+	60c	–	2.7
24	16	Bankers N.Y. $1	21	–	$2.08	–	5.3
43¼	34¼	Bell Atlantic $1	43	+	$4.08	–	5.2
25¼	19	BellSouth Corp	24½	......	$2.36	–	5.4
15	850p	♦Bethlehem Steel $8	14xd	–	–	–	–
13¼	801p	♦Bio-Rad Labs. A	10	–	–	–	–
23	14	Bowater Inc	15	......	$1.12	–	3.9
13¼	787p	Brunswick 75c	10xd	......	44c	–	2.3
33¼	21	CPC Intnl. 25c	29½	+	$1.60	–	3.0
19¼	13¼	CSX $1	18¼	–	$1.24	–	3.7
14¼	134p	California Engy	884p	......	–	–	–
20¼	12	Campbell Soup 15c	18	–	84c	–	2.5
18	11	Chase Manhattan $12½	18	......	$2.36	–	7.0
19	11¼	Chem. Banking Corpn	18¼	+	$2.72	–	8.3
16¼	11	Chrysler $6¼	15½xd	–	$1.20	–	4.3
16¼	9	Citicorp $1	14xd	......	$1.48	–	5.5
297p	167p	CityFed Fin. Corp	179p	–1	4c	–	1.2
28¼	20	Colgate-Palmolive $1	26xd	–	$1.48	–	3.1
21½	13½	Cons Freightways 62½c	17¼	–	98c	–	3.1
14	536p	Cont'l Bank Corp $4	11	+	8c	–	0.4
14p	6¾p	Cont Illinois Hldgs $1	7½p	......	–	–	–
428p	117p	♦Corporate Data Scnce	327p	......	–	–	–
510p	234p	Cullinet Sftwr 1c	385p	–7	–	–	–
22	17	Dana Corp. $1	22xd	–	$1.60	–	3.9
15¼	943p	Data General	10¼	–	–	–	–
32¼	24½	Dun & Bradstreet $1	28	–	$1.74	–	3.3
49	27	Eaton Corpn. 50c	34xd	–	$2.00	–	3.2
10	8	Echlin Inc	9	+	59c	–	3.5
18½	14	FPL Group 1c	17xd	......	$2.20	–	6.9
32¼	20	Ford Motor $1	29	–	$3.00	–	5.6
33	20	GATX 62½c	32xd	–	$2.00	–	3.4
27	20	Gen. Elect. 63c	26xd	+	$1.64	–	3.5
700p	425p	♦General Host Corp $1	515p	+14	28c	–	3.0
25	15¼	Gillette $1	20¼	–	96c	–	2.6
803p	474p	Gt Am First Sygs Bk $1	748p	–8	60c	–	4.5
21¼	13	Greyhound $1½	17¼xd	......	$1.32	–	4.2
11½	654p	Hasbro Inc 50c	11½	+	12c	–	0.8
8¼	5	Home Group $1	8¼xd	......	20c	–	1.3
42	28	Honeywell $1½	37¼xd	–	$2.10	–	3.1
19	14	Houston Inds. ‡	16	–	$2.96	–	10.2
75	55¼	IBM Corpn $1¼	69½xd	–1¼	$4.40	–	3.5
105p	40p	♦Image Storage/Ret Sys.1c	50p	......	–	–	–
26¼	17¼	Ingersoll-Rand $2	21xd	–	$1.04	–	2.7
29	18½	Lockheed Crpn. $1	29xd	......	$1.60	–	3.0
19	11½	Lone Star Inds $1	18xd	+	$1.90	–	5.7
19	15	Louisiana Land 15c	19xd	+	$1.00	–	2.8
14	860p	Lowe's 50c	14	......	48c	–	1.8
19¼	10¼	Manuf. Hanover $1	18	+	$3.28	–	9.9
17	11	Merrill Lynch $1	16	......	$1.00	–	3.3
2437p	1137p	Molex Inc	2004p	–2	3.2c	–	–
23¼	16½	Morgan (JP) $2½	19xd	–½	$1.66	–	4.6
40½	32	NYNEX $1	40½	+	$4.04	–	5.5
20	15	PHH Corp. ‡	19	+	$1.12	–	3.2
308p	99p	♦Pacific Agr. ‡	232p	......	–	–	–
21	16	Pacificorp $3¼	19½	......	$2.64	–	7.5
20¼	13¼	Pacific Telesis 10c	20½	–	$1.76	–	4.7
18¼	13¼	Pall Corp. 25c	16¼	–	48c	–	1.6
48	34½	Pennzoil 83 1/3c	48xd	+	$3.00	–	3.4
21	11	Premark Intl	18	–	60c	–	1.8
34¼	21	Quaker Oats $5	30	–	$1.20	–	2.2
29	21	Rep NY Corpn $5	25xd	......	$1.20	–	2.6
13	9	Rockwell Intl. $1	12xd	–	72c	–	3.1
26	18	Southwestern Bell $1	26¼	–	$2.48	–	5.2
22	12	Sun Co. Inc. $1	21	–	$1.80	–	4.5
29	22¼	TRW Inc. 62½c	26	–	$1.72	–	3.6
16¼	754p	TW Services $5	16¼	+	10c	–	0.3
29	21¼	Tenneco $5	27	–	$3.04	–	6.0
31	19	Texaco $6.25	31½xd	+	$3.00	–	5.3
27¼	19¼	Texas Instr. $1	22¼xd	......	72c	–	1.7
70	43¼	Time Inc. $1	67	+5¼	$1.00	–	0.8
20¼	13½	TRINOVA Corp	16½xd	–	64c	–	2.1
19	14	USX $1	18	–	$1.40	–	4.2
154p	44p	♦Unilab	145p	......	–	–	–
26	17	Utd. Technologies	26	+	$1.60	–	3.4
163p	27p	♦Utilitech Inc	130p	......	–	–	–
35¼	26¼	US West‡	35¼	+	$3.76	–	–
26	16	Waste Management $1	25½	–	48c	–	1.0
16	12	Whirlpool $1	15½xd	–	$1.10	–	3.9
20¼	15	Whitman Corp	19xd	......	96c	–	2.8
33	18¼	♦Woolworth $3½	30¼	–	$1.64	–	3.0

Continued on next page

LONDON SHARE SERVICE

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CANADIANS

1988/89 High	Low	Stock	Price £	+ or −	Div Gross	C'vr	Y'ld Gr's
309p	130p	♥ABM Gold Corp ‖	130p	−10	−	−	−
32p	4½p	♥Abbot Energy Corp	17p	.....	−	−	−
14¼	882p	♥Amer. Barrick Res	13	.....	−	−	−
10p	2⅛p	♥Amer. Lightwave ‖	2⅛p	.....	−	−	−
47p	7½p	♥Armeno	19⅝p	.....	−	−	−
125p	83p	♥Astamerica ‖	108p	.....	−	−	−
76p	23p	♥Augmitto Expln	26½p	.....	−	−	−
14⅝	10⅝	Bk. Montreal ‖	13⅞	−⅛	$2.12	−	7.3
769p	514p	Bk Nova Scot. ‖	723p	.....	84c	−	5.6
18¾	15¼	BCE ‖	18⅜	−⅛	$2.44	−	6.4
716p	527p	♥Bow Valley ‖	715p	.....	♦40c	−	2.7
14¼	10½	♥Brascan ‖	13⅛	−⅛	88c	−	3.2
328p	177p	♥Breakwater Res	211p	+9	10c	−	2.3
13¼	801p	Can. Imp Bank ‖	12¼	.....	$1.16	−	4.4
12¼	841p	Can. Pacific ‖	11⅛	.....	76c	−	3.3
41½	38½	Do. 4pc Deb £100	38½	.....	4%	−	10.4
515p	357p	Central Capital "A" ‖	411p	−2	−	−	−
485p	313p	♥Corona Corp	436p	−8	−	−	−
886p	228p	♥Cons TVX Mng	333p	+11	−	−	−
371p	20¼p	♥Danbus Mem. Syst. ‖	20¼p	−½	−	−	−
686p	430p	♥Derlan Inds ‖	617p	−3	11.75c	−	0.9
14⅛	746p	♥Echo Bay Mines	913p	+20	$0.07	−	0.4
839p	249p	♥ECO Corp ‖	436p	−1	−	−	−
40p	9½p	♥Energex Minerals ‖	9½p	−½	−	−	−
386p	196p	♥Galactic Resources	220p	−1	−	−	−
423p	267p	Gandalf Techs. Inc	294p	.....	−	−	−
125p	35p	♥Geodome Res.	35p	−1	−	−	−
394p	141p	Granges Expln ‖	160p	−5	−	−	−
25p	4½p	♥Gt Pacific Res	24¼p	−1	−	−	−
903p	576p	♥Gulf Canada ‖	726p	+3	52c	−	3.4
12⅛	816p	♥Hawker Sid Can ‖	12	.....	$1.08	−	4.3
590p	344p	♥Henlys Group	468p	−2	−	−	−
12½	785p	♥Hudson's Bay ‖	12⅛	.....	60c	−	2.4
28⅛	20¼	♥Imperial Oil ‖	24½	−⅛	$1.80	−	3.5
20⅞	10⅛	Inco ‖	18⅝	+½	s$0.80	−	2.4
718p	462p	♥Inland Nat. Gas $1	629p	+3	60c	−	4.6
250p	100p	♥Madeleine Mines	145p	+4	−	−	−
207p	126p	♥Muscocho Expln	179p	−1	−	−	−
187p	41½p	♥Nat Business Syst. ‖	73p	+12	−	−	−
245p	85½p	♥Nevada Goldfields	123p	+4	−	−	−
12⅛	787p	♥Rio Algom	11⅛	−⅛	$1.30	−	5.5
19½	11½	Royal Bk. Can. ‖	18¼	.....	$2.20	−	5.6
40⅞	26⅝	Seagram ‖	39¼	+⅛	US$1.40	−	2.0
361p	74½p	♥Sonora Gold Corp ‖	189p	.....	−	−	−
121p	18p	♥Spiral Eng ‖	75p	−5	−	−	−
150p	35p	♥Tara Pure Tech. Corp ‖	82¼p	−1	−	−	−
19¼	11⅛	Toronto-Dom. Bk. ‖	18⅝	−⅛	$1.12	−	2.9
746p	566p	♥Trans Can Pipe	713p	−14	68c	−	4.6
205p	127p	Varity Corp ‖	164p	−4	−	−	−

BANKS, HP & LEASING

1988/89 High	Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's	P/E
*278	124	ANZ SA1	253	−1	s034½c	2.0	6.2	8.1
*293	180	Allied Irish	291	−1	F072.9%	3.1	5.2	10.0
£13¼	£10	Algemene Fl.10	£11	−⅛	Q27%	1.9	6.5	−
73	58	Anglo Irish	72	.....	Q19.6%	1.2	6.3	20.5
90	64	Ansbacher (H.) 1p	78	.....	2.0	−	3.5	−
£52⅝	£28⅞	B'caire Cie Fr100	£47⅛	−½	Q010%	−	1.9	−
£40⅞	£24½	Banco Bilbao Viz	£39⅞	.....	Q35.7%	♦	3.1	♦
£36	£27¼	Banco de Santander	£29⅞	+⅛	Q21%	2.4	2.5	16.2
*293	184	Bank Ireland Ir£1	287	−4	Q15.6%	3.3	4.6	10.3
£18½	£15	Bank Leumi	£17½	.....	−	−	−	−

[illegible]

Hire Purchase, Leasing, etc.

[illegible]

BEERS, WINES & SPIRITS

[illegible]

BUILDING, TIMBER, ROADS

[illegible]

BUILDING, TIMBER, ROADS — Contd

[illegible]

CHEMICALS, PLASTICS

[illegible]

DRAPERY AND STORES

[illegible]

ELECTRICALS

[illegible]

ENGINEERING

[illegible]

ENGINEERING — Contd

[illegible]

FOOD, GROCERIES, ETC

[illegible]

HOTELS AND CATERERS

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

INDUSTRIALS (Miscel.) — Contd

[illegible]

INDUSTRIALS (Miscel.) — Contd

[illegible]

INSURANCES

[illegible]

LEISURE

[illegible]

LONDON SHARE SERVICE

LEISURE—Contd

[illegible]

MOTORS, AIRCRAFT TRADES

[illegible]

Commercial Vehicles

[illegible]

Components

[illegible]

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING, ADVERTISING

[illegible]

PROPERTY

[illegible]

SHIPPING

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TEXTILES—Contd

[illegible]

TOBACCOS

[illegible]

TRUSTS, FINANCE, LAND

Investment Trusts

[illegible]

TRUSTS, FINANCE, LAND—Contd

[illegible]

Finance, Land, etc

[illegible]

OIL AND GAS

[illegible]

OIL AND GAS—Contd

1988/89 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
[illegible]	[illegible]	Shell Trans. Reg.	396	–3	17.0	♦	5.9	♦
[illegible]	[illegible]	Do. 7pcPf. £1	69	......	4.9%	–	9.5	–
[illegible]	[illegible]	Silkolene	465	......	19.0	4.1	3.0	11.1
[illegible]	[illegible]	Southwest Res. 40p	12	......	–	–	–	11.9
[illegible]	[illegible]	Sovereign Oil	189	–2	–	–	–	50.1
[illegible]	[illegible]	TR Energy 10p	12½	+½	–	–	–	–
[illegible]	[illegible]	Texaco 8pc Cnv	£97½	......	Q8%	–	8.2	–
[illegible]	[illegible]	Total-Cie Fr Pet B	538	+½	Q40%	–	4.9	–
[illegible]	[illegible]	Triton Europe 5p	148	+2	–	–	–	31.4
[illegible]	[illegible]	Tuskar Res 5p	17	–½	–	–	–	–
[illegible]	[illegible]	Ultramar	383	–2	7.5	q1.3	3.4	(28.6)
[illegible]	[illegible]	Woodside A50c	183	–2	–	–	–	–

OVERSEAS TRADERS

[illegible]

PLANTATIONS

Rubbers, Palm Oil

[illegible]

Teas

[illegible]

MINES

Central Rand

[illegible]

Eastern Rand

[illegible]

Far West Rand

[illegible]

O.F.S.

[illegible]

Diamond and Platinum

[illegible]

Central African

[illegible]

Finance

[illegible]

Australians

[illegible]

MINES—Contd

1988/89 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's
145	65	Whim Creek 10c	104	–5	Q11c	16.4	4.5

Tins

1988/89 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's
55	23	Ayer Hitam SM1	40	......	Q53.3c	0.7	‡
*130	67	Geevor	81	......	–	–	–
60	33	Gopeng Berhad M$0.50	53	......	Q10c	♦	4.1
615	36	Jantar 12½p	115	+12	–	–	–
67	27	Malaysia Mng. 10c	64	......	†Q3.5c	4.2	1.2
130	110	Petaling SM1	120	......	Q87c	1.2	15.3
110	65	Sungei Besi SM1	100	......	Q70c	1.4	14.8
150	90	Tanjong 15p	90	......	–	–	–
150	95	Tronoh SM1	150	......	‡Q25c	1.0	3.5

Miscellaneous

[illegible]

THIRD MARKET

[illegible]

NOTES

Stock Exchange dealing classifications are indicated to the right of security names: α Alpha, β Beta, γ Gamma.

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock"
- • Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ♦ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Not officially listed.
- # Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress
- ♦ Not comparable
- ♦ Same interim; reduced final and/or reduced earnings indicated
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ☆ Cover does not allow for shares which may also rank for dividend at a future date. No P/E usually provided.
- ‖ No par value

B.Fr. Belgian Francs. Fr. French Francs ‡‡ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1988-89. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1989. K Dividend and yield based on prospectus or other official estimates for 1987-88. L Estimated annualised dividend, cover and P/E based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1988. N Dividend and yield based on prospectus or other official estimates for 1989-90. P Figures based on prospectus or other official estimates for 1987. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date. Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Albany Inv 20p	γ	85	......
Craig & Rose £1	γ	718	......
Finlay Pkg. 5p	γ	93	......
Holt (Jos) 25p	γ	1235	–15

IRISH

Cap. 8½% Ln. 1991	£99¾	......
9pc Cap Ln. 1996	£100½	+⅛
Fin. 13% 97/02	£121	......
Arnotts	425	......
Carrol (P.J.) γ	154	......
Hall (R. & H.)	160xd	......
Heiton Hldgs. γ	74	......
Irish Ropes	165xd	......

TRADITIONAL OPTIONS

3-month call rates

Industrials	p
Allied-Lyons	40
Amstrad	18
BAT	40
BOC Grp.	36
BSR	7½
BTR	26
Barclays	34
Beecham	40
Blue Circle	39
Boots	20
Bowaters	38
Brit Aerospace	42
Brit. Telecom	21
Burton Ord	18
Cadburys	31
Charter Cons.	45
Comm Union	28
Courtaulds	26
FKI Babcock	13
FNFC	21
Gen Accident	71
GEC	15
Glaxo	90
Grand Met	38
GUS 'A'	90
Guardian	16
GKN	28
Hanson	12
Hawker Sidd.	48
ICI	85
Jaguar	22
Ladbroke	38
Legal & Gen.	26
Lex Service	34
Lloyds Bank	29
Lucas Inds.	48
Marks & Spencer	15
Midland Bk.	35
Morgan Grenfell	28
NEI	12
Nat West Bk.	45
P & O Dfd	48
Plessey	15
Polly Peck	28
Racal Elect.	25
RHM	32
Rank Org Ord.	43
Reed Intnl	38
STC	24
Sears	13
TI	32
TSB	9
Tesco	12
Thorn EMI	55
Trust Houses	24
T&N	16
Unilever	42
Vickers	15
Wellcome	42

Property

Brit Land	30
Land Securities	52
MEPC	58

Oils

Brit Petroleum	21
Do. (P. Paid)	12
Burmah Oil	48
Calor	35
Charterhall	2½
Premier	9
Shell	85
Ultramar	21

Mines

Cons Gold	100
Lonrho	38
RTZ	40

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar firm but quiet

HIGH YIELDING currencies were in demand in subdued foreign exchange trading yesterday. The US dollar and Australian dollar were firm, with sterling generally holding on to its recent gains. The main exception was the Canadian dollar, which suffered downward pressure on economic worries.

The US dollar was generally quiet,lacking fresh factors, but eventually rose to a level were the US Federal Reserve stepped in to sell the currency. There was no major economic news, apart from the result of the West German Bundesbank's securities repurchase agreement tender. This produced no strong reaction on the foreign exchanges, after the central bank provided sufficient funds to keep interest rates steady in Frankfurt.

The market also shrugged off a Japanese news agency report, attributing comments to an unnamed US official that a slow decline by the dollar will help reduce the US budget deficit. Dealers said there was nothing new in the comment from Mr Satoshi Sumita, governor of the Bank of Japan, that proper measures will be taken to insure price stability.

Trading in the Far East was dull, with the dollar holding in a narrow range. It closed a little firmer in London at DM1.8575, compared with DM1.8525 on Tuesday, after a featureless day, but then rose above DM1.8600 in New York on a report that Mr Michael Boskin, a White House economist, said that President Bush's Administration is prepared to discuss a tax increase. This brought the Fed into the market.

In terms of the yen, the dollar closed unchanged in London at Y128.70, but the US currency rose to SFr1.5865 from SFr1.5820 and to FFr6.3075 from FFr6.2950. On Bank of England figures, the dollar's exchange rate index was unchanged at 67.5.

Sterling lost ¼ cent to $1.7200 and declined to Y221.25 from Y221.75, but was firmer against most European currencies, rising to DM3.1950 from DM3.1900; to SFr2.7300 from SFr2.7250; and to FFr10.8500 from FFr10.8425. According to the Bank of England the pound's index was also unchanged at 95.8.

The Australian dollar touched 81.50 US cents in volatile, but mainly technically motivated trading. The failure of the Australian currency to fall through 80.00 cents has tempted the market to test upward resistance according to dealers, bringing the Reserve Bank of Australia back into the market, as a seller of the currency.

The Canadian dollar proved to be the weak member, among the group of high yielding currencies, prompting intervention by the Bank of England in London, on behalf of the Bank of Canada, selling US dollars at around C$1.2010.

Pressure on the Canadian dollar followed press reports in Canada that the International Monetary Fund has warned of higher interest rates, and a fall in the value of the local currency, unless Canada reduces its budget deficit by C$9bn to $20bn.

£ IN NEW YORK

Mar.8	Latest	Previous Close
£ Spot	1.7195-1.7205	1.7210-1.7220
1 month	0.48-0.47pm	0.45-0.43pm
3 months	1.39-1.36pm	1.24-1.21pm
12 months	3.72-3.65pm	3.45-3.35pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	Mar.8	Previous
8.30 am	95.7	95.9
9.00 am	95.8	95.9
10.00 am	95.8	95.9
11.00 am	95.8	95.9
Noon	95.8	95.9
1.00 pm	95.8	96.0
2.00 pm	95.8	95.9
3.00 pm	95.8	95.9
4.00 pm	95.8	95.8

CURRENCY RATES

Mar.8	Bank rate %	Special* Drawing Rights	European Currency Unit
Sterling	-	0.761276	0.651145
U.S Dollar	7	1.31046	1.12090
Canadian $	11.54	1.57046	1.34534
Austrian Sch.	4	17.1172	14.6221
Belgian Franc	7.75	50.9834	43.5627
Danish Krone	7½	9.47987	8.10589
Deutsche Mark	4	2.43326	2.07927
Neth. Guilder	5.00	2.74607	2.34623
French Franc	9½	8.26638	7.06402
Italian Lira	13½	1787.47	1527.19
Japanese Yen	2½	169.049	144.160
Norway Krone	8	8.86002	7.57207
Spanish Peseta	-	151.686	129.450
Swedish Krona	8½	8.33977	7.11891
Swiss Franc	4	2.07904	1.77567
Greek Drach.	20½	204.825	174.968
Irish Punt	-	N/A	0.779932

*All SDR rates are for Mar.7

CURRENCY MOVEMENTS

Mar.8	Bank of England Index	Morgan** Guaranty Changes %
Sterling	95.8	-15.8
U.S Dollar	67.5	-10.8
Canadian Dollar	101.4	-1.3
Austrian Schilling	106.5	+9.7
Belgian Franc	105.8	-6.2
Danish Krone	103.0	-1.8
Deutsche Mark	112.7	+20.5
Swiss Franc	108.0	+17.4
Guilder	110.1	+13.0
French Franc	99.1	-15.6
Lira	97.3	-20.3
Yen	150.5	+83.3

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base Average 1985=100**Rates are forMar.7 .

OTHER CURRENCIES

Mar.8	£	$
Argentina**	60.9400-61.1400	35.4000-35.5000
Australia	2.1155-2.1180	1.2285-1.2295
Brazil	1.7125-1.7225	0.9950-1.0000
Finland	7.4410-7.4630	4.3250-4.3270
Greece	266.40-270.90	154.70-157.30
Hong Kong	13.4235-13.4365	7.8000-7.8020
Iran	121.00*	69.75*
Korea(Sth)	1154.25-1163.55	670.10-675.50
Kuwait	0.49835-0.49955	0.28950-0.28965
Luxembourg	66.80-66.90	38.80-38.90
Malaysia	4.7375-4.7495	2.7520-2.7540
Mexico	4064.45-4070.25	2361.00-2363.00
N. Zealand	2.8050-2.8100	1.6285-1.6315
Saudi Ar.	6.4525-6.4635	3.7510-3.7520
Singapore	3.3280-3.3340	1.9330-1.9350
S. Af (Cm)	4.3380-4.3495	2.5210-2.5240
S. Af (Fn)	6.8355-6.9735	3.9685-4.0485
Taiwan	47.70-47.95	27.75-27.85
U.A.E.	6.3170-6.3290	3.6725-3.6735

*Selling rate **Free Rate now quoted.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu Mar.8	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	42.4582	43.5627	+2.60	+0.55	±1.5344
Danish Krone	7.85212	8.10589	+3.23	+1.18	±1.5404
German D-Mark	2.05853	2.07927	+1.01	-1.04	±1.0981
French Franc	6.90403	7.06402	+2.32	+0.27	±1.3674
Dutch Guilder	2.31943	2.34623	+1.16	-0.89	±1.5012
Irish Punt	0.768411	0.779932	+1.50	-0.55	±1.6684
Italian Lira	1483.58	1527.19	+2.94	+1.88	±4.0752

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

POUND SPOT- FORWARD AGAINST THE POUND

Mar.8	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.7175-1.7235	1.7195-1.7205	0.44-0.41cpm	2.97	1.24-1.20pm	2.84
Canada	2.0640-2.0710	2.0665-2.0675	0.26-0.13cpm	1.13	0.59-0.41pm	0.97
Netherlands	3.59-3.61¼	3.60¾-3.61¾	1¾-1⅝cpm	6.03	5½-5¾pm	6.03
Belgium	66.65-67.05	66.80-66.90	29-24cpm	4.76	82-75pm	4.70
Denmark	12.41¼-12.45¾	12.44¾-12.45¾	5⅞-4⅞orepm	4.94	14¾-14pm	4.62
Ireland	1.1930-1.1990	1.1970-1.1980	0.54-0.48cpm	5.11	1.49-1.39pm	4.81
W. Germany	3.18-3.19¾	3.19¼-3.19¾	1⅞-1¾pfpm	6.81	5¼-5⅛pm	6.49
Portugal	262.00-263.65	262.50-263.50	32-5cpm	0.84	70-19pm	0.68
Spain	198.35-199.20	198.75-199.05	34-23cpm	1.72	50-38pm	0.88
Italy	2337½-2348¾	2345¼-2346¼	2-parlirepm	0.51	4-2pm	0.51
Norway	11.61-11.68¼	11.67¾-11.68¼	2-1¾orepm	1.86	5¾-5¼pm	1.86
France	10.80¾-10.85½	10.84½-10.85½	3¾-3¼cpm	3.94	10¾-10¼pm	3.89
Sweden	10.92-10.93¾	10.92½-10.93¼	1⅞-1⅛orepm	1.92	5¼-4¼pm	1.83
Japan	220¾-222	220¾-221¾	1⅝-1½ypm	8.47	4⅝-4½pm	8.25
Austria	22.41-22.49	22.42-22.45	12½-11¼gropm	6.42	36¼-33½pm	6.23
Switzerland	2.71¾-2.73½	2.72½-2.73½	1⅝-1½cpm	6.87	4⅞-4⅝pm	6.96

Belgian rate is convertible francs. Financial franc 67.10-67.20 . Six-month forward dollar 2.16-2.11cpm 12 months 3.33-3.23cpm

DOLLAR SPOT- FORWARD AGAINST THE DOLLAR

Mar.8	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.7175-1.7235	1.7195-1.7205	0.44-0.41cpm	2.97	1.24-1.20pm	2.84
Ireland†	1.4355-1.4400	1.4375-1.4385	0.31-0.36cdis	-2.80	0.83-0.93dis	-2.45
Canada	1.1970-1.2020	1.2010-1.2020	0.16-0.21cdis	-1.85	0.53-0.60dis	-1.89
Netherlands	2.0860-2.0960	2.0970-2.0980	0.59-0.56cpm	3.30	1.69-1.65pm	3.19
Belgium	38.70-38.90	38.80-38.90	6.00-5.50cpm	1.78	19.00-16.00pm	1.80
Denmark	7.20½-7.24¼	7.23¾-7.24¼	1.35-1.10orepm	2.04	3.45-3.05pm	1.80
W. Germany	1.8485-1.8580	1.8570-1.8580	0.61-0.59pfpm	3.88	1.69-1.65pm	3.60
Portugal	152¾-153¼	152¾-153	20-40cdis	-2.36	70-120dis	-2.49
Spain	115.20-115.70	115.55-115.65	9-13cdis	-1.14	53-59dis	-1.94
Italy	1358-1364	1363½-1364	2.40-2.90liredis	-2.34	8.00-8.70dis	-2.45
Norway	6.74½-6.76¼	6.75¾-6.76¼	0.50-0.75oredis	-1.11	1.50-1.80dis	-0.98
France	6.28-6.31	6.30½-6.31	0.60-0.55cpm	1.10	1.58-1.48pm	0.97
Sweden	6.33½-6.35¼	6.35¼-6.35¾	0.50-0.65oredis	-1.09	1.50-1.80dis	-1.04
Japan	128.35-128.75	128.65-128.75	0.59-0.57cpm	5.41	1.76-1.73pm	5.43
Austria	13.01-13.05¾	13.04½-13.05	3.90-3.50gropm	3.41	11.50-10.30pm	3.34
Switzerland	1.5780-1.5870	1.5860-1.5870	0.57-0.55cpm	4.24	1.65-1.62pm	4.13

† UK and Ireland are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 38.90-39.00.

EURO-CURRENCY INTEREST RATES

Mar.8	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
Sterling	12¾-12½	12⅞-12⅝	13-12¾	13⅛-12⅞	13-12⅞	12¾-12½
US Dollar	9⅞-9⅝	9¾-9⅝	9⅞-9¾	10⅛-10	10⅜-10¼	10⅝-10½
Can. Dollar	11⅝-11½	11⅞-11⅝	11⅞-11¾	12-11¾	12⅜-12¼	12⅝-12⅜
D. Guilder	6½-6¼	6½-6¼	6⅞-6¾	6⅞-6¾	7⅛-6⅞	7¼-7⅛
Sw. Franc	5¾-5½	5¾-5½	5¾-5⅝	6-5¾	6⅛-6	6⅛-6
Deutschmark	5¾-5½	5¾-5⅝	6⅜-6¼	6⅝-6½	6⅞-6¾	7-6⅞
Fr. Franc	8¼-8⅛	8⅝-8½	8⅝-8½	9⅜-9¼	9⅝-9½	9⅞-9¾
Italian Lire	11-9	12½-11½	12½-12	12⅝-12⅛	12¾-12⅜	13-12⅝
B. Fr. (Fin)	8½-8⅜	8⅜-8¼	8⅝-8½	8⅝-8⅜	8½-8¼	8⅝-8⅜
B. Fr. (Con.)	8⅝-8⅜	8⅛-8	8-7⅝	8⅛-8	8½-8¼	8⅝-8⅜
Yen	4-3⅝	4⅛-4	4⅜-4⅜	4⅞-4⅜	4⅞-4⅝	5⅛-5
D. Krone	7⅞-7⅝	7¾-7⅝	8⅛-8	8⅝-8⅜	8⅝-8⅜	8⅞-8⅝
Asian $Sing	9¾-9⅝	9⅞-9⅝	9⅞-9⅝	10⅛-10	10⅜-10¼	10⅝-10½

Long term Eurodollars: two years 10⅜-10¼ per cent; three years 10⅜-10¼ per cent; four years 10½-10⅜ per cent; five years 10⅝-10½ per cent nominal. Short term rates are call for US Dollars and Japanese Yen; others, two days' notice.

EXCHANGE CROSS RATES

Mar.8	£	$	DM	Yen	F Fr.	S Fr.	H Fl.	Lira	C $	B Fr.
£	1	1.720	3.195	221.3	10.85	2.730	3.608	2346	2.067	66.85
$	0.581	1	1.858	128.7	6.308	1.587	2.098	1364	1.202	38.87
DM	0.313	0.538	1	69.26	3.396	0.854	1.129	734.3	0.647	20.92
YEN	4.519	7.772	14.44	1000.	49.03	12.34	16.30	10601	9.340	302.1
F Fr.	0.922	1.585	2.945	204.0	10.	2.516	3.325	2162	1.905	61.61
S Fr.	0.366	0.630	1.170	81.06	3.974	1	1.322	859.3	0.757	24.49
H Fl.	0.277	0.477	0.886	61.34	3.007	0.757	1	650.2	0.573	18.53
Lira	0.426	0.733	1.362	94.33	4.625	1.164	1.538	1000.	0.881	28.50
C $	0.484	0.832	1.546	107.1	5.249	1.321	1.746	1135	1	32.34
B Fr.	1.496	2.573	4.779	331.0	16.23	4.084	5.397	3509	3.092	100.

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

FINANCIAL FUTURES

Short sterling below its best

Short sterling futures showed a slight improvement on the day in Liffe trading, but finished well down from the day's highs. Prices were marked up initially on the pound's steady to firmer tone. However, there was very little follow-through demand, and after touching a high of 87.25 in the June contract, the price fell away to 87.18 at the close, compared with 87.13 at the opening and 87.15 on Tuesday. The absence of any fresh buying encouraged investors to take profits.

The June price is regarded as being a little expensive, as it still all but discounts a quarter point reduction in base rates.

West German Government bond futures also fell away after a stronger start. The softer tone came despite moves by the Bundesbank to dispel fears of a credit tightening and higher interest rates. Profit-taking accounted for some of the retreat from the day's highs.

US Treasury bonds were virtually unchanged for most of the day as investors held back ahead of the release of US February employment data tomorrow.

LIFFE LONG GILT FUTURES OPTIONS

Strike Price	Calls-settlements Jun	Calls-settlements Sep	Puts-settlements Jun	Puts-settlements Sep
95	336	450	16	28
96	248	363	28	41
97	200	317	44	59
98	125	240	105	118
99	59	204	139	146
100	37	138	217	216
101	23	112	303	254

Estimated volume total, Calls 874 Puts 726
Previous day's open int. Calls 21278 Puts 12490

LIFFE US TREASURY BOND FUTURES OPTIONS

Strike Price	Calls-settlements Jun	Calls-settlements Sep	Puts-settlements Jun	Puts-settlements Sep
82	633	657	11	35
84	446	518	24	60
86	305	354	47	132
88	149	242	127	220
90	56	144	234	322
92	25	104	403	446
94	11	42	553	620

Estimated volume total, Calls 90 Puts 80
Previous day's open int. Calls 1246 Puts 1766

LIFFE FT-SE INDEX FUTURES OPTIONS

Strike Price	Calls-settlements Mar	Puts-settlements Mar
19500	1511	1
20000	1023	13
20500	582	72
21000	255	245
21500	80	570
22000	—	—
22500	—	—

Estimated volume total, Calls 0 Puts 0
Previous day's open int. Calls 0 Puts 0

LIFFE £/$ OPTIONS

[illegible]

LIFFE EURODOLLAR OPTIONS

[illegible]

LIFFE SHORT STERLING

[illegible]

PHILADELPHIA SE £/$ OPTIONS

[illegible]

LONDON SE £/$ OPTIONS

[illegible]

LONDON (LIFFE)

[illegible]

CHICAGO

[illegible]

SWISS FRANC (IMM)
SFr 125,000 $ per SFr

	Latest	High	Low	Prev.
Mar	0.6316	0.6319	0.6306	0.6315
Jun	0.6384	0.6389	0.6374	0.6381
Sep	0.6454	0.6458	0.6445	0.6446

STANDARD & POORS 500 INDEX
$500 times index

	Latest	High	Low	Prev.
Mar.	294.30	294.35	295.75	294.90
Jun	298.05	298.10	297.55	298.65
Sep	301.95	-	301.95	302.75

POUND-$ (FOREIGN EXCHANGE)

Spot	1-mth.	3-mth.	6-mth.	12-mth.
1.7200	1.7158	1.7078	1.6987	1.6872

IMM-STERLING $s per £

	Latest	High	Low	Prev.
Mar	1.7198	1.7086	1.7064	1.7192
Jun	1.7078	1.7086	1.7064	1.7062
Sep	1.6990	1.6990	1.6964	1.6970

Because of technical problems at source, the European Traded Options table was not available for this edition.

BASE LENDING RATES

	%		%		%
ABN Bank	13	Clydesdale Bank	13	NatWestminster	13
Adam & Company	13	Comm. Bk. N. East	13	Northern Bank Ltd	13
AAB - Allied Arab Bk	13	Co-operative Bank	*13	Norwich Gen. Trust	13
Allied Irish Bank	13	Coutts & Co	13	PRIVATbanken Limited	13
● Henry Ansbacher	13	Cyprus Popular Bk	13	Provincial Bank PLC	14
ANZ Banking Group	13	Dunbar Bank PLC	13	R. Raphael & Sons	13
Associates Cap Corp	12	Duncan Lawrie	13	Roxburghe G'rantee	13½
Authority Bank	13	Equatorial Bank plc	13	Royal Bk of Scotland	13
● B & C Merchant Bank	13	Exeter Trust Ltd	13½	Royal Trust Bank	13
Bank of Baroda	13	Financial & Gen. Bank	13	● Smith & Williamson Secs.	13
Banco Bilbao Vizcaya	13	First National Bank Plc.	14	Standard Chartered	13
Bank Hapoalim	13	● Robert Fleming & Co.	13	TSB	13
Bank Credit & Comm	13	Robert Fraser & Ptnrs.	13½	United Bk of Kuwait	13
Bank of Cyprus	13	Girobank	13	United Mizrahi Bank	13
Bank of Ireland	13	● Guinness Mahon	13	Unity Trust Bank Plc	13
Bank of India	13	HFC Bank plc	13	Western Trust	13
Bank of Scotland	13	● Hambros Bank	13	Westpac Bank Corp.	13
Banque Belge Ltd	13	Heritable & Gen Inv Bnk	13	Whiteaway Laidlaw	13½
Barclays Bank	13	● Hill Samuel	§13	Yorkshire Bank	13
Benchmark Bank PLC	13	C. Hoare & Co.	13		
Berliner Bank AG	13	Hongkong & Shanghai	13		
Brit Bk of Mid East	13	● Leopold Joseph & Sons	13		
● Brown Shipley	13	Lloyds Bank	13		
Business Mtge Tst	13½	Meghraj Bank Ltd	13		
CL Bank Nederland	13	McDonnell Douglas Bnk	13		
Central Capital	13	Midland Bank	13		
● Charterhouse Bank	13	Mortgage Express Ltd.	§13.95		
Citibank NA	13	Mount Banking Corp.	13		
City Merchants Bank	13	Nat Bk. of Kuwait	13		

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MONEY MARKETS

Steadier tone

THE WEST German Bundesbank yesterday reinforced its recent action to keep interest rates steady in Frankfurt by adding sufficient liquidity at the latest sale and repurchase tender to offset two maturing agreements.

Recent speculation has centred on a higher interest rate structure in West Germany, as a means of supporting the D-Mark and also to bear down on the rate of domestic inflation. However, the Bundesbank appears to be unwilling to instigate an interest rate spiral between West Germany and the US, and this was underlined by the generous size of yesterday's allocation.

UK clearing bank base lending rate
13 per cent
from November 25

The Bank accepted bids totaling DM15.5bn, replacing two maturing facilities which totalled DM16.3bn. The net drain of DM800m was regarded as insignificant. The switch to a fixed rate tender - the first since January 11 - suggests that a period of stability is uppermost in the authorities' mind.

Commercial banks retain ample reserves with the Bundesbank. Holdings so far this month have averaged DM66.8bn which will be useful in meeting payment of corporate tax demands later in the month.

In London, interest rates were barely changed, as traders took a back seat ahead of the UK Budget next Tuesday. The key three-month interbank rate was quoted at 13 1/16-12 15/16 per cent compared with 13 1/16-12 15/16 per cent, while the 12-month rate finished at 12 13/16-12¾ per cent from 12 13/16-12 11/16 per cent.

Interest rates are expected to remain within a narrow range in the absence of any key economic data this week. In addition, there appears to be little prospect of an early cut in clearing bank base rates. At the same time, investors are aware that the authorities are keen to avoid a further rise in interest rates.

The Bank of England forecast a shortage of around £100m. Factors affecting the market included bills maturing in official hands and a take up of Treasury bills, together with repayment of late assistance draining £560m. There was also a rise in the note circulation of £100m. These were partly offset by Exchequer transactions which added £525m, and banks' balances brought forward £40m above target.

The Bank gave no assistance in the morning but on a revised shortage of £50m bought £50m of eligible bank bills in band 1 at 12⅞ per cent.

FT LONDON INTERBANK FIXING

(11.00 a.m. Mar.8) 3 months US dollars		6 months US Dollars	
bid 10	offer 10⅛	bid 10⅜	offer 10½

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque National de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK (Lunchtime)

Prime rate	11½
Broker loan rate	10¾-½
Fed.funds	9⅞
Fed.funds at intervention	9⅞

Treasury Bills and Bonds

One month	8.90	Three year	9.42
Two month	8.49	Four year	9.43
Three month	8.93	Five year	9.39
Six month	9.17	Seven year	9.31
One year	9.35	10-year	9.27
Two year	9.51	30-year	9.10

Mar.8	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	5.80-5.90	6.20-6.35	6.45-6.60	6.45-6.60	6.60-6.80	6.00
Paris	8½-8¾	8⅞-8⅞	8⅞-9	9⅛-9¼	9⅜-9½	7.25
Zurich	4⅞-5⅛	5½-5⅝	-	5⅞-6⅛	-	-
Amsterdam	6.00-6.25	6.65-6.75	-	6.85-6.95	-	-
Tokyo	3⅞-4	4⅜-4⅜	-	4⅝-4⅞	-	-
Milan	12¾-13¼	13⅛-13¾	-	13¼-13¾	-	-
Brussels	8.65	8⅜-8½	-	8½-8⅝	-	-
Dublin	7½-7¾	7¾-8	7¾-8⅛	8¼-8⅝	8½-8¾	-

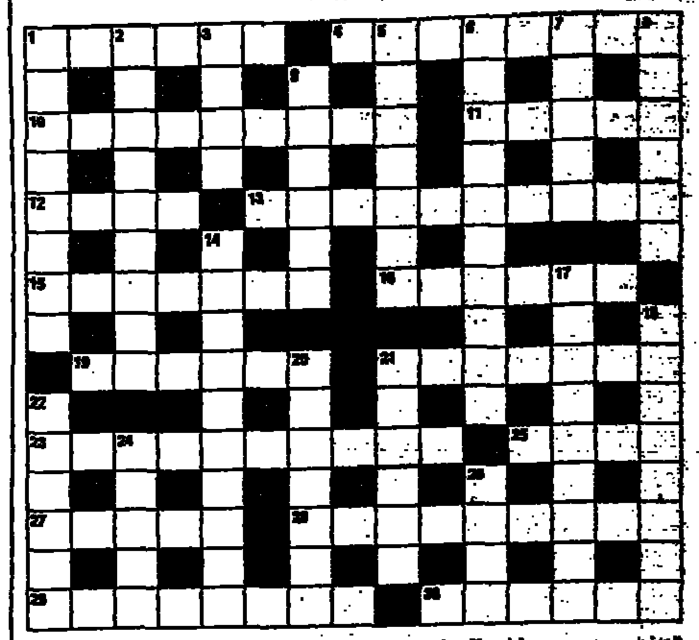
LONDON MONEY RATES

Mar.8	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
Interbank Offer	12½	12⅞	12⅞	13⅛	13⅛	12⅞
Interbank Bid	10	12¾	12⅞	12⅞	12⅞	12¾
Sterling CDs	-	-	12⅞	13	12⅞	12¾
Local Authority Deps.	12⅞	12½	12⅞	12⅞	12⅞	12¾
Local Authority Bonds	-	-	-	-	-	-
Discount Mkt Deps.	12⅞	12⅞	12¾	12¾	-	-
Company Deposits	-	-	12⅞	13	12⅞	12⅞
Finance House Deposits	-	-	12⅞	12⅞	12⅞	12⅞
Treasury Bills (Buy)	-	-	12⅞	12⅞	-	-
Bank Bills (Buy)	-	-	12⅞	12⅞	12⅞	-
Fine Trade Bills (Buy)	-	-	13¼	13⅛	12⅞	-
Dollar CDs	-	-	9.95	10.05	10.30	10.45
SDR Linked Dep Offer	-	-	8⅜	8⅜	8⅜	8⅞
SDR Linked Dep Bid	-	-	8⅛	8⅜	8½	8⅝
ECU Linked Dep Offer	-	-	8⅞	8⅞	9	9⅛
ECU Linked Dep Bid	-	-	8⅞	8⅞	8⅞	9⅛

Treasury Bills (sell); one-month 12 11/16 per cent; three months 12 9/16 per cent; Bank Bills (sell): one-month 12⅝ per cent; three months 12½ per cent; Treasury Bills; Average tender rate of discount 12.4722 p.c. ECGD Fixed Rate Sterling Export Finance. Make up day February 28 , 1989. Agreed rates for period March 26,1989 to April 25 , 1989, Scheme I: 13.90 p.c., Schemes II & III: 14.29 p.c. Reference rate for period February 1 to February 28 , 1989, Scheme IV&V: 13.041 p.c. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 13½ from March 1 , 1989; Bank Deposit Rates for sums at seven days notice 4 per cent. Certificates of Tax Deposit (Series 6); Deposit £100,000 and over held under one month 9½ per cent; one-three months 11 per cent; three-six months 11 per cent; six-nine months 11 per cent; nine-twelve months 11 per cent; Under £100,000 9½ per cent from December 1,1988 , Deposits withdrawn for cash 5 per cent.

CROSSWORD

No.6,880 Set by DINMUTZ



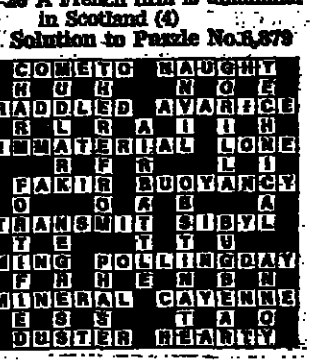
ACROSS

1 Subtle way to acquire new tenant (6)
4 Can't contain cry of pain, lying down on arms (8)
10 Album for the autumn? (5-4)
11 Rare trees clipped (5)
12 Canteen jam? (4)
13 Cats-cradle? (3,7)
15 Old bull set out to be the most effective (7)
16 Synopsis of laws to endure without protest (6)
19 Number of eggs in 27? (6)
21 Mountain wine or the chain it comes from (7)
23 Grindstone turning faster and faster (10)
25 Position for little Mark, say (4)
27 Understand the compass? (5)
28 Revolting attack (9)
29 Paperback article for the bar interval (8)
30 What Don might wear for the dance (6)

DOWN

1 Ailments breaking out in this feature of Siberia (4-4)
2 Volume's high? Stand in station (9)
3 What is the point of fencing? (4)
5 Get rid of rotten consignment (3-4)
6 One prevents stock from running out, by the way (6-4).
7 Main liquid oxygen carrier? (5)
8 T.S. Eliot, twice abridged, can be fly (6)
9 Order Thebes to be laid waste (6)
14 Where many races mix, relaxing on grass? (7-3)
17 One who likes to see Chinese things lie in shop, to be ordered (9)
18 Not much energy for the Cambridge examination (6,2)
20 Injunction to striking gardener – dance! (7)
21 Create rules of law if held by Buffalo Bill (6)
22 Customs take starters off bangers (6)
24 True male dominion (5)
26 A French firm is unfamiliar in Scotland (4)

Solution to Puzzle No.6,879



JOTTER PAD

WORLD STOCK MARKETS

CANADA

TORONTO

Closing prices March 7

MONTREAL

Closing prices March 7

Total Sales 5,708,201 shares.

TOKYO - Most Active Stocks

Wednesday 8 March 1989

	Stocks Traded	Closing Prices	Change on day
Daido Steel	84.4m	1,470	+60
Fujita	48.8m	1,850	-50
Nishimatsu	43.9m	1,580	+60
Ebara	40.7m	1,870	+120
Hazama	39.9m	1,780	-30
Nippon Sanso	28.2m	1,070	+60
Taisei	27.5m	1,800	-60
Mitsui Eng & Ship	25.3m	847	+7
Mitsui Construc	23.6m	1,290	+90
Fuji Electric	18.8m	1,140	-10

INDICES

NEW YORK — DOW JONES

	Mar 7	Mar 6	Mar 3	Mar 2	1988/89 High	1988/89 Low	Since compilation High	Since compilation Low
♦Industrials	2290.71	2294.82	2274.29	2265.71	2347.14 (7/2/89)	1879.14 (20/1/88)	2722.42 (25/8/87)	41.22 (2/7/32)
Home Bonds	88.28	88.24	88.23	88.13	91.25 (3/3/88)	86.12 (4/1/88)	–	–
Transport	1059.67	1068.24	1059.35	1056.44	1087.97 (7/2/89)	757.57 (21/1/88)	1101.16 (14/8/87)	12.32 (8/7/32)
Utilities	183.14	183.97	182.49	182.67	191.15 (24/1/89)	167.26 (20/4/88)	227.83 (22/1/87)	10.50 (8/4/32)

♦Day's High 2308.57 (2302.58) Low 2278.93 (2270.36)

STANDARD AND POOR'S	Mar 7	Mar 6	Mar 3	Mar 2	1988/89 High	1988/89 Low	Since compilation High	Since compilation Low
Composite ‡	293.87	294.81	291.18	289.95	299.63 (7/2/89)	242.63 (20/1/88)	336.77 (25/8/87)	4.40 (1/6/32)
Industrial	339.55	340.39	336.35	334.82	346.41 (7/2/89)	277.86 (20/1/88)	393.17 (25/8/87)	3.62 (21/6/32)
Financial	26.65	26.80	26.46	26.35	27.24 (7/2/89)	21.51 (8/1/88)	32.43 (25/8/87)	8.64 (1/10/74)
NYSE Composite	165.28	165.63	163.90	163.21	168.02 (7/2/89)	136.72 (20/1/88)	187.99 (25/8/87)	4.46 (25/4/42)
Amex Mkt. Value	328.83	327.99	326.22	324.95	328.83 (7/3/89)	262.76 (12/1/88)	365.01 (13/8/87)	29.31 (9/12/72)
NASDAQ OTC Comp	406.18	406.26	403.99	402.53	409.19 (7/2/89)	331.97 (12/1/88)	455.28 (26/8/87)	54.87 (31/10/72)

	Mar 3	Feb 24	Feb 10	year ago (approx.)
Dow Industrial Div. Yield	3.70	3.75	3.63	3.38

	Mar 1	Feb 22	Feb 15	year ago (approx.)
S & P Industrial div. yield	3.23	3.18	3.13	2.96
S & P Indl. P/E ratio	12.68	13.48	13.63	15.13

TRADING ACTIVITY

CANADA

NEW YORK ACTIVE STOCKS

2pm prices March 8

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
		– A – A – A –								
28¾	21⅛	AAR	.44	1.6	18	100	28⅜	28	28	– ½
10⅛	8⅝	ACM n	1.01	11.		89	9	8⅞	9	
12⅛	10⅛	ACMIn	1.26a	12.		268	10¼	10½	10⅛ + ⅛	
10⅛	8½	ACM M	n1.01	11.		50	8⅞	8⅞	8⅞	
12⅛	10⅛	ACM Sc	1.26	12.		463	10⅝	10½	10½	– ⅛
10⅛	8½	ACMSp	n.85e	9.6		248	9	8⅞	8⅞	
6⅛	2⅝	AMCA	.12e	3.0		77	4	3⅞	4	
6⅛	3⅛	AM Intl				321	5⅛	5⅝	5⅛	
23⅛	18⅛	AM Int pf	2	8.9		32	22½	22½	22½	+ ⅛
62⅛	39	AMR			7	4747	58⅝	57½	58⅛	+ ⅞
9½	4⅞	ARX				55	5⅝	5⅛	5⅛	– ⅛
48⅛	35⅛	ASA	3a	7.2		779	42⅛	41½	41½	
20⅛	14⅛	AVX	.24	1.4	9	15	18	17⅛	17⅛	– ⅛
52⅛	42⅞	AbtLab	1.20	2.3	16	2680	52⅛	51⅛	52	+ ⅜
20⅛	15⅛	Abitibi g	1			112	16⅝	16⅛	16½	– ⅛
13⅞	7½	AcmeC	.40	3.8		25	10⅝	10½	10½	– ⅛
8½	5⅞	AcmeE	.32	4.6	25	61	7⅛	6⅞	7	
30⅛	20⅛	Acuson			24	148	27⅝	27½	27⅝	
16⅞	14½	AdaEx	1.82e	12.		174	14⅛	14⅝	14⅛	+ ⅛
16⅞	7⅛	AMD			75	837	8⅛	8⅛	8⅛	+ ⅛
49½	28⅛	AMD pf	3	9.4		17	32	32	32	
8½	6½	Adobe				17	7⅛	7⅝	7⅝	– ⅛
21⅛	20	Adob pf	2.40	11.		2	21	21	21	+ ⅛
9⅞	5⅞	Advest	.12	1.6	16	139	7½	7⅛	7½	+ ⅛
52½	38½	AetnLf	2.76	5.5	9	503	50⅛	49⅞	50⅛	+ ⅜
44½	24	AffPb s	.22	.5		421	44	42⅛	43½	+ ½
18⅛	13⅛	Ahmans	.88	5.3	8	2243	17	16⅝	16⅞	– ⅞
4⅝	2	Aileen			16	2	3⅛	3⅛	3⅛	
53⅛	37⅛	AirPrd	1.20	2.7	11	1198	45	44⅛	44⅝	– ⅜
24	15½	AirbFrt	.60	2.6	23	41	23⅛	22⅛	23⅛	+ ½
18	11⅝	Airgas			12	147	17⅞	17⅞	17⅞	+ ⅛
20⅛	17⅛	Airlease	2.40	12.	9	66	u20½	20⅛	20⅛	+ ⅛
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Continued on Page 41

NYSE COMPOSITE PRICES

Continued from previous Page

OVER-THE-COUNTER

Nasdaq national market, 2pm prices March 8

AMEX COMPOSITE PRICES

2pm prices March 8

FINANCIAL TIMES

Wednesday March 8 1989

AMERICA

Dollar's strength inspires Dow rally after dull start

Wall Street

An early afternoon surge in stock prices on Wall Street saw the Dow Jones Industrial Average up by more than 20 points in moderate trading after a dull start to the day, *writes Karen Zagor in New York.*

At 2pm the Dow Jones Indstrial Average was up 18.58 at 2,309.29. Volume on the New York Stock Exchange was fairly heavy with 119.78m shares changing hands. Advances led declines by a ratio of about eight to five.

Market-watchers attributed the stock market rally to the unexpected strength of the dollar and an upturn in bond prices. However trading on both markets was moderate as investors and traders remained focused on tomorrow's release of employment figures.

In morning trading in the US debt market treasury bonds were quoted as much as 3/32 of a point lower but by early afternoon the Treasury's benchmark 30-year long bond was up 5/32 at 97 3/32 and yielding 9.07 per cent.

In the New York foreign exchange market, the dollar started the day on a soft note in dull trading. However an announcement by Mr Robert Heller, Federal Reserve Board Governor, saying that a reduction in Japanese and West German trade surpluses was necessary to adjust global trade imbalances caused the dollar to firm. Dealers also said the Fed had sold dollars for D-Marks.

After Tuesday's jump of $9, shares in Time Inc fell $¼ to $116¼. There was news that shareholders had filed a class action to block Time's proposed merger with Warner. Shares in Warner were lower for the first time this week at $48¼, a decline of $⅜. Warner was again one of the most active issues on the New York Stock Exchange.

Texas Air rose $⅜ to $12¾ amid prospects that its Eastern Airlines subsidiary would file under Chapter 11 of the bankruptcy code. An adviser to Eastern's machinists union said he had approached Mr Carl Icahn, chairman of TWA, as a potential buyer for the strike-bound airline.

Among the other large US airlines, Pan Am was unchanged at $4⅝ and Delta Air was up $⅞ to $56. AMR, the parent of American Airlines, rose $⅛ to $58.

Boeing fell $⅜ to $65. The big manufacturer of commercial aircraft announced it would borrow up to 670 production workers from Lockheed. Shares in Lockheed were down $⅛ at $48⅛.

Rohr, the jet engine company, jumped $2⅛ to $36⅝ amid rumours of a possible takeover by General Electric or Hercules. A spokesman for Rohr said the company had no announcements to make and would not comment on the takeover rumours. General Electric was up $⅛ at $45⅝. Hercules gained $⅛ to $47⅞.

A number of oil-service stocks declined after a strong start to the week. Schlumberger fell $⅝ to $38¼. Baker Hughes was down $⅛ at $17⅛. Halliburton lost $⅜ to $31.

Among blue chips, Philip Morris surged $3⅛ to $114¾. IBM posted its first gains of the week to $120⅝, up $⅛. General Motors rose $¾ to $85¾.

Canada

A SHARP rise by gold and energy shares drove Toronto higher by midsession. The composite index rose 17.0 to 3,637.9 as advancing issues led declining ones by 292 to 231 on light volume of 9.8m shares.

In the gold sector, Placer Dome gained C$⅛ to C$16⅝.

Green theme takes root in Japan and UK

FT writers find environmental protection is feeding through into share price gains

THE GREEN theme has been attracting keen interest this year in stock markets such as London and Tokyo where it is still something of a novelty.

Many companies involved in cleaning up the environment or finding substitutes for the chlorofluorocarbons (CFCs) that are blamed for the depletion of the ozone layer have seen their share prices soar in recent weeks.

But pollution control has been an issue for much longer in other countries; investors in markets such as the US and West Germany are showing far less excitement about such companies' growth potential.

The London market was surprised by the UK Government's recent espousal of environmental policies. Investors have been hunting for specialists in waste disposal, water purification and the manufacture of alternatives to CFCs, and several stocks have registered sharp rises.

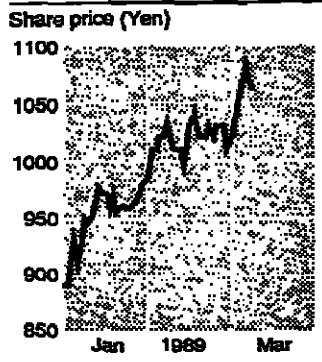
Elga, a water purification company, is a star performer. Its shares jumped from 49 pence to 70p last week and have held on to a 38 per cent rise over the month.

Another City favourite has been Rechem Environmental Services, toxic waste specialist, with a near 20 per cent rise to 446p in the last month.

Beaverco, a company on the Unlisted Securities Market which says it is the only West European foam maker not to use CFCs, has also had bullish broker comment and risen 25p to 300p in the past fortnight.

Showa Denko

Share price (Yen)



Such speculative interest may be premature. The geographical distribution of such companies makes them unsuitable as takeover targets, says one analyst. Their smallness makes them sensitive to mishaps; Leigh Interests, a waste collection and disposal group, was fined in January for breaking pollution laws and has registered a rise of less than 6 per cent in its share price since. "If US-style daily fines were introduced for polluters, small companies would be hit hard," said the analyst.

Larger chemicals companies, such as ICI and Cookson Group, have yet to see share values affected. Prices could go either way and marketing opportunities may balance increased costs. "The winners will be those companies with nimble managements," says Mr Ian Moore, an analyst with Robert Fleming Securities.

Some of the biggest groups are also absent from the pollution theme in Japan, where brokers and investors have seized on the story as a welcome alternative to worries about interest rate rises.

Makers of CFCs will actually face a slight decline in sales before they can start delivering substitutes, says Ms Barbara Shimer of Schroder Securities in Tokyo, because reductions in CFCs will start as soon as July, in line with the Montreal Protocol. Investors, however, have not been discouraged.

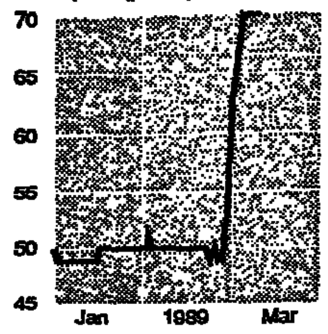
Asahi Glass, a leader among companies developing substitutes for CFCs used as cleaning agents for machinery parts, has seen its share price surge from Y1,640 on January 5 to Y2,120 yesterday. About half of the CFCs consumed in Japan are used for this purpose.

Showa Denko has developed a recycling system for one such cleaning agent, CFC 113, and is already supplying a substitute for CFC 134A, which is used as a refrigerant. Its stock has surged 57 per cent from Y670 at the start of the year to Y1,050 yesterday.

Machinery makers Daikin Industries and Iwatani International have attracted buying because of their development of equipment to recycle CFC 113 that has leaked into the air. Daikin Industries has risen from Y715 to Y1,260 this year, while Iwatani has advanced from Y460 to Y1,090.

Elga Group

Share price (pence)



However, Mr Misao Maehara of Nikko Securities says the CFC story "doesn't have the strength to pull the market up as a whole." To become a leading theme, large capitalisation stocks such as Mitsubishi Heavy Industries, the main producer of pollution control machinery, would have to be included. Mitsubishi Heavy has climbed 15 per cent this year to Y1,150, but this is because of its defence interests.

The environment is an old story for Wall Street, and investors have long since identified winners and losers. Among the obvious beneficiaries are the clean-up companies, which have prospered because of a continuing crisis in garbage disposal.

Waste Management, the largest, climbed from $3 in 1980 to $31.50 in 1988. Wellman, the biggest recycler of plastics, has nearly doubled in price to $21.50 since it went public in 1987. But stock performance in the sector has not been out of the ordinary this year. "There's nothing sexy in pollution control at the moment," said one analyst.

Even shares in the US insurance companies, which seemed most likely to bear the brunt of the cost of cleaning up industrial pollution, have been largely untouched.

In Europe, individual stocks have been highlighted in recent weeks on the environment theme, especially those in the capital goods sector with activities in water and air cleaning. Names include Deutsche Babcock, the West German engineering group, Bilfinger & Berger, the German construction company, RWE, the utility, and Asea Brown Boveri, the Swedish-Swiss engineering group.

But there appear to be few purely environmental plays at the moment, according to European analysts. Capital goods stocks have been benefiting in large part from the maturity of the economic cycle, and the green theme has been an issue in areas such as Germany and Scandinavia for years already. Nevertheless, prospects look rosy. As one salesman said: "It's considered to be a major source of business in the future."

Reports by Daniel Green, Michiyo Nakamoto, Karen Zagor and Hilary de Boerr.

EUROPE

Bourses look for direction from across the Atlantic

BUYERS held back in Europe yesterday as the focus switched to the latest US jobs figures, due tomorrow, in the absence of local developments, *writes Our Markets Staff.*

FRANKFURT pursued Tuesday's losses as profit-taking offset further positive news on interest rates. The Bundesbank announced a securities repurchase allocation of DM15.5bn, slightly more than expected, which reinforced the belief that the central bank would not tighten the monetary screw in the short term.

However, worries spread in the market about the possibility of a Social Democrat-Green coalition winning the city of Frankfurt in Sunday's Hesse elections, and this, coupled with the approach of tomorrow's US employment figures, dampened buying interest. The Hesse municipal polls are regarded as a barometer for next year's federal elections and some analysts believe they could weigh on the market for the rest of the week.

"Nobody wants to take the first step at the moment," said one analyst. The bond market's weakness was another dampening factor for equities.

In thin turnover worth DM2.4bn, the FAZ index lost 6.4 to 553.24 and the DAX was down 6.29 at 1,317.77.

VW edged up 50 pfg to DM339 after denying rumours that it planned a capital increase. Daimler was off DM5 at DM676.

Deutsche Bank fell DM3.40 to DM509.80. It expects to make a full takeover bid in the next few days for Banco Comercial Transatlantico of Barcelona, in which it has a 39.05 per cent stake. The German bank is also selling its 23 per cent stake in New York-based European American Bancorp to Amro of the Netherlands.

The market was unimpressed by retailer Asko's announcement that group net profit had risen strongly in 1988, with the share price up just DM1 at DM749.

PARIS chose to look across the Atlantic for direction, given a general lack of domestic news, and lost ground amid cautiousness before tomorrow's release of US employment figures.

Volumes were low again, exaggerating price movements. One analyst said: "There's no real desire to buy in the current nervous surroundings... The market's very attached to Wall Street at the moment."

Wall Street's opening firmness yesterday in fact aided late sentiment, helping to reduce losses, and the CAC 40 index finished 9.67 lower at 1,607.37 while the OMF 50 index lost 3.45 to 454.05.

Insurance group Midi dropped FFr7 to FFr1,643, with the market hearing that chairman Mr Bernard Pagezy had resigned as expected. Rhône Poulenc, the chemicals group, reported 47 per cent higher annual profits and its investment certificates eased FFr1 to FFr578.

ZURICH saw some late bargain-hunting, but not enough to pull the bourse back into the black, and the Crédit Suisse index eased 1.4 to 551.0. The wait for the US employment figures was partly to blame for the negative tone.

Insurance stocks were in demand on expectations of good results, with Zurich Insurance bearers up SFr65 at SFr4,725.

In banks, Bank Leu rose against the trend amid speculation of a possible takeover, although such an eventuality was seen as unlikely given last autumn's sizeable private share placement with friendly shareholders. Leu bearers rose SFr145 to SFr100.

AMSTERDAM had a quiet day after Tuesday's enthusiastic rise, which one analyst described as a bit of an overreaction. The CBS tendency index shed 0.7 to 167 in trading volume worth about Fl 500m. A weaker bond market, concern over the imminent US jobs figures and a lack of news depressed shares.

Publisher VNU stood out with a Fl 2 gain to Fl 92.30 on its higher profits, while Océ van der Grinten, the office equipment maker, was off Fl 2 at Fl 300 after publishing its annual accounts.

Aircraft producer Fokker fell a further Fl 1.40 to Fl 37.10 on profit-taking. Amro Bank edged up 50 pfg to Fl 80.70 before news it was buying Deutsche Bank's stake in European American Bancorp.

MILAN remained in the doldrums, with investors sceptical about government progress in achieving hefty spending cuts. The Comit index shed 3.57 to 581.13 in thin volume worth around L100bn.

Ifil, the Agnelli family financial investment company, shed L80 to L4,070 before rising to L4,150 after hours following Tuesday's news that Daiwa Europe was taking a 3 per cent stake.

MADRID maintained its upward momentum, with the general index adding 0.96 to 273.28. Cement maker Asland rose another 12 points to 1,079 per cent of par.

STOCKHOLM reached its third consecutive high in busy trading, with the Affärsvärlden index rising 2.7 to 1,112.2. Volvo free B shares rose SKr7 to SKr468, after Tuesday's positive results news, on turnover worth SKr50m, representing 12 per cent of total market volume.

SOUTH AFRICA

LED by gold shares, Johannesburg continued to rise, with the Industrial index adding 32 to a record 2,335.

ASIA PACIFIC

Caution over high prices drags Nikkei down

Tokyo

TRADING began on a spirited note as buying picked up, but caution won out and share prices closed lower, *writes Michiyo Nakamoto in Tokyo.*

Stock prices climbed steadily in early trading, with the Nikkei average up 135.30 at the morning close. But higher prices and the arrest of a former Deputy Labour Minister in connection with the Recruit scandal made investors wary. The Nikkei average closed down 100.28 at 31,837.66.

The day's high was 32,119.15 and the low 31,806.54, and declining issues outnumbered those that advanced by 458 to 413. Volume at 1.19bn shares was somewhat higher than Tuesday's 1.03bn.

The Topix index of all listed shares fell 5.32 to 2,421.78 and in later trading in London the ISE/Nikkei index rose 6.32 to 1,931.87.

Investors had been encouraged by the market's resilience on Tuesday, but institutional investors became cautious because of the strength of share prices and the latest Recruit arrest.

"There is no interest now in buying at high levels," said Mr Hiroshi Taguchi at Nomura Securities. Institutional investors who are ready to settle their accounts have no need to risk buying at high prices, and reduced activity on their part can easily lead to a drop of 100 points, he added.

Under the present circumstances, with interest rate rises still threatening and domestic political worries likely to grow, investors prefer incentive-backed issues with quick price movements, such as issues related to environment protection. Ebara, the maker of pumps and air blowers, surged Y220 to a record high of Y1,970 during the day. It finished up Y120 at Y1,870 in heavy trading. The company has been attracting attention for its anti-pollution technology and is expected to improve profits and sales when it enters the gas turbine market through a tie-up with a US company.

Nippon Sanso, Japan's largest oxygen manufacturer, rose Y60 to Y1,070 in heavy trading. It was selected for its development of a substitute gas for CFCs as well as for its advances in superconductivity.

Issues related to new government spending projects strengthened. The completion of a blueprint to build an underground non-gravity facility – to replicate the environment of outer space – attracted attention to Mitsui Construction, which has developed such a facility already. Mitsui Construction gained Y90 to Y1,290 in heavy trading.

Environmental issues dominated in Osaka, where the OSE average gained 25.42 to 30,187.30. Volume at 130.1m shares improved on Tuesday's 118.9m.

Roundup

A LACK of direction from overseas led to lacklustre trading in Asia Pacific markets.

AUSTRALIA was hit by institutional selling, thought to be mainly from abroad, which sent the All Ordinaries index below the 1,500 level to close 15.9 lower at 1,491.7.

Turnover was the highest for two weeks at 138m shares worth A$229.5m, thanks to a special sale of QCT Resources shares. The 10 per cent stake in the coal producer was believed to have been bought by energy group Santos, raising its holding in QCT to 19.75 per cent, said brokers BZW Meares.

HONG KONG drifted lower in the absence of institutional interest. The Hang Seng index dropped 22.03 to 3,058.65 in volume of HK$1.19bn, slightly below Tuesday's HK$1.21bn.

Chinese Estates eased 10 cents to HK$3.225 after trading resumed in the wake of its share placement on Tuesday.

SINGAPORE had a cautious session, with no direction from overseas, but managed to pick up a bit of ground on late demand for blue chips. The Straits Times industrial index edged up 4.52 to 1,136.96 and turnover eased to 44m shares from 61m.

Individual banking stocks were firm after excellent results from DBS Bank, which rose 20 cents to S$8.65.

SOUTH KOREA had a bullish session, with the composite index rising 16.29 to a record high of 989.49.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	TUESDAY MARCH 7 1989					MONDAY MARCH 6 1989			DOLLAR INDEX		
Figures in parentheses show number of stocks per grouping	US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Local Currency Index	1988/89 High	1988/89 Low	Year ago (approx)
Australia (89)	137.65	−1.0	118.48	113.16	4.82	139.02	119.76	113.66	157.12	91.16	106.82
Austria (18)	103.18	+0.4	88.81	99.24	2.54	102.74	88.51	98.79	103.18	83.72	90.41
Belgium (63)	133.39	+0.5	114.81	128.13	4.04	132.71	114.32	127.63	139.89	99.14	138.40
Canada (125)	133.63	−0.2	115.02	115.97	3.30	133.84	115.30	115.67	137.27	107.06	120.30
Denmark (39)	170.01	+1.0	146.33	166.77	1.83	168.28	144.97	165.13	180.38	111.42	121.29
Finland (26)	144.70	+0.3	124.55	131.16	1.39	144.25	124.27	130.45	147.07	106.78	118.51
France (130)	115.41	−0.6	99.33	113.96	2.85	116.16	100.07	114.70	119.98	72.77	85.60
West Germany (102)	85.41	−0.2	73.51	82.25	2.29	85.54	73.69	82.40	90.40	67.78	78.79
Hong Kong (44)	129.73	+0.6	111.66	129.93	3.69	128.96	111.10	129.16	133.77	84.90	96.99
Ireland (17)	145.03	+1.4	124.83	141.81	3.63	143.04	123.23	140.11	146.46	104.60	118.72
Italy (98)	79.80	−0.9	68.68	81.05	2.49	80.51	69.36	81.81	86.88	62.99	75.67
Japan (456)	190.96	+0.2	164.36	155.35	0.48	190.60	164.20	155.24	200.11	133.61	162.48
Malaysia (36)	155.10	+0.2	133.50	164.90	2.62	154.84	133.39	163.82	159.79	107.83	115.04
Mexico (13)	*156.23*	*−0.8*	*134.47*	*403.30*	*1.27*	*157.50*	*135.68*	*405.87*	*182.24*	*90.07*	*170.75*
Netherland (39)	116.50	+1.5	100.27	111.08	4.53	114.80	98.90	109.54	116.50	95.23	105.86
New Zealand (24)	72.75	+0.1	62.62	62.92	6.15	72.71	62.63	62.73	84.05	63.32	72.90
Norway (26)	174.29	+0.7	150.02	159.74	1.83	173.03	149.06	158.59	174.29	98.55	111.05
Singapore (26)	139.44	+0.3	120.02	124.28	2.14	138.99	119.73	123.65	143.62	97.32	108.20
South Africa (60)	131.44	+1.4	113.13	116.08	4.12	129.62	111.66	114.48	139.07	98.26	132.00
Spain (42)	144.13	+0.4	124.06	125.95	3.83	143.55	123.66	125.49	164.47	130.73	146.50
Sweden (35)	*156.90*	*+1.2*	*135.05*	*147.32*	*2.13*	*155.11*	*133.62*	*145.81*	*156.90*	*96.92*	*114.89*
Switzerland (57)	77.11	−0.1	66.37	75.62	2.28	77.18	66.49	75.74	86.75	74.13	85.22
United Kingdom (314)	149.92	+0.6	129.04	129.04	4.27	149.05	128.40	128.40	152.54	120.66	138.39
USA (568)	119.65	−0.3	102.98	119.65	3.62	119.98	103.36	119.98	121.90	99.19	109.89
Europe (1006)	119.40	+0.3	102.77	109.46	3.52	119.07	102.58	109.23	120.88	97.01	108.92
Nordic (126)	149.38	+1.0	128.57	145.93	1.92	147.93	127.44	144.57	149.38	95.22	108.44
Pacific Basin (675)	186.16	+0.2	160.23	152.27	0.69	185.87	160.12	152.16	194.72	130.81	157.71
Euro-Pacific (1681)	159.46	+0.2	137.25	135.19	1.55	159.15	137.11	135.05	164.22	120.36	138.21
North America (693)	120.38	−0.3	103.62	119.45	3.60	120.71	103.99	119.74	122.71	99.78	110.44
Europe Ex. UK (692)	100.57	+0.0	86.56	97.30	2.88	100.56	86.63	97.33	103.11	80.28	90.65
Pacific Ex. Japan (219)	128.74	−0.3	110.81	113.41	4.29	129.11	111.23	113.37	137.65	87.51	100.24
World Ex. US (1879)	158.28	+0.2	136.24	134.49	1.62	157.98	136.10	134.32	162.77	120.26	137.56
World Ex. UK (2133)	142.73	+0.0	122.85	129.50	2.02	142.74	122.96	129.56	146.04	111.77	125.73
World Ex. So. Af. (2387)	143.43	+0.0	123.45	129.54	2.22	143.37	123.51	129.54	146.65	113.26	126.81
World Ex. Japan (1991)	120.51	−0.1	103.73	115.98	3.60	120.58	103.88	116.04	122.37	100.00	109.77
The World Index (2447)	143.36	+0.0	123.39	129.44	2.23	143.28	123.44	129.44	146.51	113.37	126.85

Base values: Dec 31, 1986 = 100; Finland: Dec 31, 1987 = 115.037 (US $ Index), 90.791 (Pound Sterling) and 94.94 (Local); Nordic: Dec 30, 1988 = 139.65 (US $ Index), 114.45 (Pound Sterling) and 123.22 (Local).

Latest prices were unavailable for this edition.